



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMÉRICA

**MEXICO**

# QUARTERLY REPORT APRIL – JUNE 2012

## USAID/MEXICO COMPETITIVENESS PROGRAM

Contract: EEM-I-00-07-00004-00

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*[Per COR instructions, reports submitted to the DEC include only those sections deemed to be of value for ongoing development consideration. This report therefore excludes administrative sections.]*

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#### DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# ACRONYMS

<b>AMSDE:</b>	Asociación Mexicana de Secretarios de Desarrollo Económico A.C. (Mexican Association of Secretaries of Economic Development)
<b>ANEAS:</b>	Asociación Nacional de Empresas de Agua y saneamiento de México AC (National Association of Water and Sanitation of Mexico)
<b>ANMIF</b>	Asociación Nacional de Microfinancieras e Intermediarios Financieros
<b>BNDES:</b>	Banco Nacional de Desenvolvimento Econômico e Social (National Development Bank of Brazil)
<b>C1:</b>	Component 1
<b>CASFA:</b>	Centro Agroecológico San Francisco de Asís (Agroecological Center San Francisco de Asis)
<b>CCMSS:</b>	Consejo Civil Mexicano Para la Silvicultura Sostenible (Mexican Civil Council for Sustainable Forestry)
<b>CEIBA:</b>	Centro interdisciplinario de Biodiversidad y Ambiente (Biodiversity and Environmental Interdisciplinary Center)
<b>CFC:</b>	Comisión Federal de Competencia (Federal Competition Commission)
<b>CFE:</b>	Comisión Federal de Electricidad (Federal Electricity Commission)
<b>CIDAC:</b>	Centro de Investigación para el Desarrollo, A.C. (Centre for Development Research)
<b>CNA:</b>	Comisión Nacional del Agua (National Water Commission)
<b>CNBV:</b>	Comisión nacional bancaria y de valores (National Banking Securities Commission)
<b>CO2:</b>	Carbon dioxide
<b>COFECO:</b>	Comisión Federal de Competencia (Federal Competition Commission)
<b>COFEMER:</b>	Comisión Federal de Mejora Regulatoria (Federal Commission on Regulatory Improvement)
<b>COFETEL:</b>	Comisión Federal de Telecomunicaciones (Federal Telecommunications Commission)
<b>COLCAMI:</b>	Consortio Latinoamericano para Capacitación en Microfinanciamiento (Latin American Consortium for Training in Microfinance)
<b>COLEF:</b>	Colegio de la Frontera Norte (Northern Border College)
<b>CONABIO:</b>	Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (National Commission for Investigation in and Usage of Biodiversity)
<b>CONAFOR:</b>	Comisión Nacional Forestal (National Forestry Commission)
<b>CONANP:</b>	Comisión Nacional de Áreas Naturales Protegidas (National Commission on Natural Protected Areas)
<b>COP:</b>	Chief of Party
<b>COP 16:</b>	Conference of the Parties to the United Nations Framework Convention on Climate Change, Cancún Quintana Roo November 29 <sup>th</sup> – December 10 <sup>th</sup> 2010
<b>COTR:</b>	Contracting Officer's Technical Representative
<b>CRE:</b>	Comisión Reguladora de Energía (Energy Regulatory Commission)
<b>ECOSUR:</b>	El Colegio de la Frontera Sur (Southern Border College)
<b>EG:</b>	Economic Growth
<b>EMG:</b>	Energy Markets Group
<b>EMS:</b>	Environmental Management System
<b>ESIDET:</b>	Encuesta sobre Investigación y Desarrollo Tecnológico (Survey Research and Technological Development)

<b>FIDE:</b>	Trust Fund for Electric Energy Savings
<b>FINEP:</b>	Financidora de Estudios e Proyectos (Financier of Studies and Projects)
<b>FONCET:</b>	Fondo de Conservación El Triunfo (El Triunfo Conservation Fund)
<b>GDF:</b>	Gobierno del Distrito Federal (Mexico City Government)
<b>GDP:</b>	Gross Domestic Product
<b>GEF:</b>	Global Environment Facility
<b>GHG:</b>	Greenhouse gas
<b>GIS:</b>	Geographic Information System
<b>GOM:</b>	Government of Mexico
<b>HR:</b>	Human Resources
<b>IDEA:</b>	Implementación, Diseño, Evaluación y Análisis de Políticas Públicas (Implementation, Design, Evaluation and Public Policy Analysis)
<b>IMCO:</b>	Instituto Mexicano para la Competitividad (Mexican Institute for Competitiveness)
<b>IMIP:</b>	Instituto Municipal de Investigación y Planeación (Municipal Planning Institute)
<b>INFONAVIT:</b>	Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Institute of the National Fund for Workers' Housing)
<b>INSME:</b>	International Network for Small and Medium Sized Enterprises
<b>IOA:</b>	Institute of the Americas
<b>IT:</b>	Information Technology
<b>ITAM:</b>	Instituto Tecnológico Autónomo de México (Autonomous Technological Institute of Mexico)
<b>LAC:</b>	Latin America and the Caribbean
<b>LAWEA:</b>	Latin American Wind Energy Association
<b>LG:</b>	Lieutenant Governors
<b>MBA:</b>	Master in Business Administration
<b>MBC:</b>	Mesoamerican Biological Corridor
<b>MEO:</b>	Mission Environmental Officer
<b>MFI:</b>	Micro Finance Institutions
<b>MRV:</b>	Measuring, Reporting and Verification
<b>MX:</b>	Mexican Peso
<b>NAICOM:</b>	North American Index of Economic Competition and Consumer Rights
<b>NAMA:</b>	Nationally Appropriate Mitigation Actions
<b>NGO:</b>	Non-governmental organization
<b>NLGA:</b>	National Lieutenant Governors Association
<b>OCDE:</b>	Organización para la Cooperación y el Desarrollo Económico (Organization for Economic Cooperation and Development)
<b>PA:</b>	Protected Areas
<b>PECC:</b>	Programa Especial de Cambio Climático (Special Climate Change Program)
<b>PEMEX:</b>	Petroleos Mexicanos (Mexico's National Oil Company)
<b>PES:</b>	Payment for Environmental Services
<b>PIN:</b>	Project Identification Note
<b>PMP:</b>	Performance Monitoring Plan
<b>PUP:</b>	Public Use Plan
<b>PyME:</b>	Pequeña y Mediana Empresa (Small and Medium Enterprise)
<b>RE:</b>	Renewable Energy

<b>REDD:</b>	Reducing Emissions from Deforestation and Forest Degradation
<b>SEDECO:</b>	Secretaría de Desarrollo Económico (State level Secretariat of Economic Development)
<b>SEMARNAT:</b>	Secretaría de Medio Ambiente y Recursos Naturales (Ministry for Environment and Natural Resources)
<b>SENDAS:</b>	Senderos y Encuentros para un Desarrollo Autónomo Sustentable (Paths and Meetings for Sustainable Self-Development)
<b>SENER:</b>	Secretaría de Energía (Energy Ministry)
<b>SIEM:</b>	Sistema de Información Empresarial Mexicano (Mexican Business Information System)
<b>SME:</b>	Small and Medium Sized Enterprise
<b>SOW:</b>	Scope of Work
<b>TDA:</b>	Trade Development Agency
<b>UCAI:</b>	Unidad Coordinadora de Asuntos Internacionales (International Affairs Coordination Unit)
<b>UNDP:</b>	United Nations Development Programme
<b>US:</b>	United States
<b>USAID:</b>	United States Agency for International Development
<b>USG:</b>	United States Government

# OVERVIEW OF PROGRAM

The USAID/Mexico Competitiveness Program seeks to improve environmental management and promote private sector innovation through the implementation of substantive changes in governance. The Program integrates several objectives: 1) sustainable environmental governance and management, including biodiversity conservation, forest conservation and the advancement of Mexico's climate change agenda; 2) increased private sector competitiveness through programs that foster business innovation and efforts to strengthen competition among firms; 3) more efficient factor and precursor markets through promotion of capital available to small businesses and financially sustainable urban water service; and 4) increased use of and investment in clean energy by promoting sub-national renewable and efficient energy projects, and programs for sustainable buildings and housing. The Program builds on prior USAID efforts in Mexico to achieve sustainable reforms by improving transparency, strengthening civil society participation, and promoting accountability. This report highlights achievements during the third quarter of Program FY2012, April 1 – June 30, 2012, with a focus on technical activities, administrative issues that affect implementation, and grants management. The Program's four governance areas address:

## ***1. Environmental management***

**Public policy:** Strengthen institutional capacity to develop and implement public policies addressing biodiversity, Reduced Emissions from Deforestation and Degradation (REDD+) and climate change; support citizen-based evaluation of Mexico's forests and forestry policies; promote "green" government; support land use planning to protect forests and biodiversity.

**Alternative income generation:** Promote sustainable value chains in high biodiversity areas; provide technical assistance and support for payment for hydrological services in key watersheds; promote ecotourism through sector planning, training and capacity-building for community members; and improve commercialization of low-impact goods produced in high biodiversity areas.

**Sustainable landscapes:** Provide technical assistance for REDD+ pilot projects and governance mechanisms to scale up REDD; support forest carbon monitoring.

## ***2. Effective economic governance***

**Public policies for competitiveness and innovation:** Support implementation of small and medium enterprise (SME) development programs; disseminate innovation policies; strengthen institutional capacity of Ministry of Economy.

**Strengthening Competition Policy:** Provide technical assistance to Federal Competition Commission (CFC) and Federal Judiciary.

## ***3. Efficient factor and precursor markets***

**Water service:** Improve the quality and sustainability of urban water service through technical assistance and dissemination of best practices; support public campaign on the value of water.

## ***4. Clean Energy***

**Subnational assistance:** Promote state and municipal clean energy projects, including local supplier value chains, self-supply and public-private partnerships (PPPs).

# SUMMARY OF ACCOMPLISHMENTS

## Component 1

- The Mexico Competitiveness Program delivered a set of enhancement features for the SIAT-PECC monitoring and reporting system, which will be available for Mexico's bi-monthly reporting period beginning in July 2012. In addition to improving the system's functionality, the improved features also respond to requirements established by the "Auditoría Superior de la Federación", such as the storing of documentary evidence of progress achieved.
- The Mexico Competitiveness Program presented to the Mexico City Government (GDF) the "Technical Assistance Activities Report", summarizing the support provided by the Program to implement the city's Environmental Management System (EMS). Between August 2011 and May 2012, 36 city departments participated in the EMS, providing information to identify potential improvements in the efficiency of water and energy use, green procurement and solid waste management.
- As part of its initiative to build the capacity of public sector lawyers on climate change issues, the Mexico Competitiveness Program submitted to SEMARNAT the document "Proposals for the Continued Development of a Legal Agenda on Climate Change in Mexico", describing the main achievements to date in the development of a legal framework on climate change, including the recent adoption of the General Law on Climate Change, and a proposal to develop complementary instruments. SEMARNAT intends to use this information in the elaboration of a transition document for the incoming administration.
- USAID, supported by the Mexico Competitiveness Program, co-sponsored the international conference "Economía y Cambio Climático en México." Experts contracted by USAID, Agence Française du Développement (French development agency), the United Nations Development Programme and the United Nations Environment Programme, presented studies on the relationship among economic growth, production in diverse sectors, the use of natural resources and emissions of greenhouse gases (GHG). Studies financed by the Mexico Competitiveness Program were presented by UNAM economics department faculty, and focused on scenarios for energy demand and economic growth, scenarios for land use change toward a low emissions economy, and a general equilibrium analysis of consumer welfare. The studies are also available as a joint USAID-SEMARNAT publication in hardcopy or digital format (May 22).
- Mexico's Congress approved the General Law on Climate Change in April 2012. The bill makes reference to a white paper, which was developed by the Mexico Competitiveness Program, on inventories, registries and regulatory options for market readiness. The bill also acknowledges the Competitiveness Program's contributions in addressing technical, institutional, and monitoring challenges of achieving Mexico's climate change goals.
- The Mexico Competitiveness Program initiated an assessment to understand transportation practices and behavior of Mexico City employees as part of the ongoing support to develop a commuter trip reduction program that would become part of the

city government's Environmental Management System (EMS). The assessment will focus on six government organizations and will inform proposals to reduce congestion, time lost in traffic and emissions of pollutants.

- Mexico Competitiveness Program consultants provided training on the preparation of solid waste management plans to Mexico City employees as part of our support of the city's Environmental Management System (EMS). Officials from 19 Mexico City departments participated in the training (April 26-27).
- The Mexico Competitiveness Program supported SEMARNAT in drafting legal reforms that, if adopted, would support management of federal natural protected areas. The reforms would legally prohibit the expansion of urban settlements within protected areas, aligning the development of land use plans with the management programs of federal protected areas, and updating the General Law on Environmental Protection and Ecological Equilibrium to make it consistent with the more recent Law of National Waters and General Law on Sustainable Forest Development. The draft reforms are currently being reviewed by SEMARNAT and their adoption would need to be discussed during the next congressional term, beginning in September 2012.

## **Component 2**

- Competitiveness Program subcontractor Mexican Competitiveness Institute (IMCO) organized a meeting with experts from OECD, Mexico's Federal Competition Commission (CFC), state controller officials from five states (Campeche, Guerrero, Oaxaca, Puebla, and Zacatecas) and several NGOs and private organizations (Transparencia Mexicana and Aklara, a firm specialized in reverse auction systems) to review a preliminary draft of a model law on state public procurement. The discussion led to numerous suggestions and recommendations to improve the proposal. (June 6).
- Mexico Competitiveness Program sub-contractor Lexington Group held the second round of scenario planning for COPARMEX young entrepreneurs in Mexico City, using inputs gathered during an earlier session in January (April 18-20). Scenarios gave participants the opportunity to conceive and develop proposals for business and public policy. The scenario with the most negative outcome for Mexico City (and the country) allowed participants to identify mistakes and missteps that must be avoided or overcome. Six weeks later, Lexington Group participated in the G-20 Young Entrepreneur Summit (YES) and coordinated a two-day workshop consolidating policy positions of Latin American young entrepreneurs during the summit. Workshop participants produced a communiqué that proposes the establishment of a new association of young entrepreneurs to foster innovative and sustainable businesses (June 3-5).
- The Mexico Competitiveness Program supported the editing and printing of a booklet on pension fund management: *El mercado de Afores: Propuestas para reducir los riesgos de los sistemas de pensiones de México*, written by Dario Obarra Zavala. The book was published in June by research NGO Center for Development Research (CIDAC) and the Mexican Network on Competition and Regulation, a Competitiveness Program grantee.

- The Mexico Competitiveness Program consultant hired to perform an Ethical Hacking Diagnostic on computer servers operated by Mexico’s Federal Competition Commission (CFC) submitted a report to the agency’s information technology department for review (May 4).
- The Mexico Competitiveness Program co-sponsored a capacity-building conference for Mexican judges and clerks on competition issues related to “absolute monopolistic practices” (i.e., cartels). The Program collaborated with the Arizona-based NGO National Law Center, the Mexican Judicial Institute, the Mexican Federal Competition Commission (CFC), the U.S. Department of Justice and the U.S. Federal Trade Commission. The event was part of an ongoing effort by USAID to help the Mexican government institutionalize the process of curbing anti-competitive practices. 103 participants attended the conference and training, including judges and clerks specialized in administrative law (May 14-16).
- The Mexico Competitiveness Program received the final draft of an aviation sector policy paper, which describes the current state of competition in the airline industry and aviation/airport service sector, and offers policy proposals to improve efficiency and reduce prices. The paper is under review at CANAERO, Mexico’s aviation business chamber.

### **Component 3**

- The Mexico Competitiveness Program COP participated in the kick-off meeting of the “Plan Maestro de Agua y Sanamiento de Juárez” which was held at the Border Environment Cooperation Commission (BECC) in Ciudad Juarez. The meeting brought together the principle funders of the initiative, USAID and BECC, managers of the city’s water utility Junta Municipal del Agua y Sanamiento (JMAS), as well as the subcontractor selected to carry out the work, Sistemas de Ingenieria e Informacion, SC. Participants reviewed and agreed upon roles and responsibilities for developing the master plan, and designated an oversight committee to review deliverables. (The committee will include a Mexico Competitiveness Program consultant.) USAID’s contribution to the master plan will focus on Mexico Competitiveness Program priorities, including energy efficiency, options for investing in renewable energy, and water re-use (May 4).
- Consultants from Mexico Competitiveness Program subcontractor International Resources Group (IRG) submitted preliminary deliverables for two projects: (1) content for a technical course (diplomado) for water utility managers, which will be offered by UNAM; and (2) proposals for amending Mexican legislation on citizens’ water rights and municipal responsibilities. The deliverables are under review at IRG and are expected to be finalized in July 2012.

### **Component 4**

- The Cleantech Challenge Mexico 2012 (CTCM), which receives significant support from the Mexico Competitiveness Program, was highly active during the Competitiveness Program's third quarter of 2012. Activities included:
  - Announcement of the 128 ideas, projects and businesses, from almost every state of Mexico, selected to participate in the six-month open acceleration process and competition. The launch event featured USAID/Mexico Mission Director Tom Delaney and other international donors (May 21).
  - Seminars on "Legal and Fiscal Aspects of Starting a Business" (May 29) and "patents and industrial property protection" (May 30).
  - First capacity-building workshop: "Startups: Business Models and Financing" presented entrepreneurs and competitors theory and practice related to creating a sustainable business model (May 22-23).
  - First elimination round, which took place in Mexico City, Puebla, Guadalajara and Monterrey, leaving 64 participants who will compete in the second elimination round in July (June 8-9).
  - Second capacity-building workshop "Market Development Strategies," which helped prepare competitors for the second elimination round (June 19-20).
  - Seminar "Entrepreneur and Communication," held in Mexico City (June 26-27).
- Other CTCM achievements include:
  - Carbon Click, a CTCM 2011 participant, was invited to present at the U.S. Embassy's conference "From Lab to Market" on a panel on patent registration, along with two experts from the U.S. Patent and Trademark Office and the Mexican Institute for Industrial Property (IMPI). The Mexican company has a patented technology for a CO<sub>2</sub> capture and transformation process. Cleantech Challenge 2011 was funded by the Mexico Competitiveness Program.
  - The founder and CEO of Ecopipo, a CTCM 2011 finalist, was nominated by the Competitiveness Program to participate in the Latin America Women's Entrepreneurship Program. She was selected to participate in the two-week program from May 12-24 but had to decline due to health-related issues.
- On June 15 and 22, the Baja California state government published in the state's *Periódico Oficial* the "Ley de Impulso a la Eficiencia Energética" and the "Ley de Energías Renovables." The first law creates the Energy Efficiency Information System, which will be based on the indicators developed for the *Baja California Energy Profile*, financed by the Mexico Competitiveness Program. The second law instructs the Secretariat of Economic Development to develop a catalogue and promote local businesses with goods and services in the clean energy value chain. This provision supports the institutionalization of the state's wind energy value chain initiative, which is also being carried out with Competitiveness Program support.
- Mexico Competitiveness Program subcontractor Colegio de la Frontera Norte (COLEF) delivered the final sections of the Baja California energy profile, including a business-as-usual scenario and options for state government action. The profile will be presented to a state government energy committee in order to integrate the indicators and recommendations into government and policy planning processes.

- The Mexico Competitiveness Program finalized a report on Baja California's metal-mechanic sector and areas of opportunity for wind turbine component supply by local businesses. Main findings were presented to the Baja California State Energy Commission (BCSEC) on May 9 and report findings will be used by the BCSEC as part of its investment promotion strategy. The next phase will focus on services (including post-warranty operation and maintenance opportunities in the state-owned La Rumorosa I (wind farm) and a business incubation plan.
- In April, Mexico Competitiveness Program consultants delivered final versions of small-scale municipal clean energy business plans and technical proposals for potential projects in Hidalgo, Veracruz and Mexico City. Upon final inspection and approval, these will be formally presented to state and municipal officials.
- In April, Competitiveness Program subcontractor Colegio del Norte (COLEF) delivered the 2025 Baja California Energy scenarios, as part of the Competitiveness Program's Energy Profile project. The document contains two scenarios: 1) Business as Usual: taking into account current strategies by the federal government; and 2) Feasible: alternative actions and policies at the local level with their associated GHG emission reductions.

A more detailed description of technical activities carried out in the third quarter of the Mexico Competitiveness Program's FY2012 is provided in Annex 1.

## TRAINING AND CAPACITY-BUILDING (APRIL – JUNE 2012)

From April through June 2012, the Mexico Competitiveness Program held six training events in which 270 people were trained. Of these, 179 were men and 91 were women. See Annex 2 for a list of the events.

# GRANTS

## Deliverables

- **AMBIO** made two presentations to share findings related to social and environmental safeguards that were monitored for the USAID-supported REDD+ pilot project implemented in the Biosphere Reserve “El Ocote” (REBISO), Chiapas. The presentation included the results of the survey administered to households that identified the norms, agreements and rules that define community governance in participating communities. The first presentation was held on June 12 during the meeting of the REDD+ Consultative Technical Council (CTC). The second was held on June 14 at the regional office of the National Commission for Natural Protected Areas (CONANP) in Ocozocuaula, Chiapas, and included the participation of the General Director of the REBISO, the “Comisariados Ejidales” of three communities and the community technician team. On June 25, AMBIO submitted its final report for the fourth phase of Ocote project. The report includes: 1) Identification of the social and environmental safeguards that were monitored for the REDD+ pilot project, 2) Results of the survey administered to households that identified the norms, agreements and rules that define community governance in the participating communities, and 3) Definition of actions that will be undertaken to strengthen local capacities for REDD+ implementation.
- **U’Yoolché** requested an extension to submit its final report for the third phase of the Carbon capture and REDD+ pilot project in ejidos of the Sian Ka’an – Calakmul corridor in the Yucatan Peninsula for FY2012. The request was authorized by USAID on June 1. On June 25, U’Yoolché submitted the report, which includes: 1) Final version of monitoring systems designs, 2) Final version of the territorial alignment strategy, 3) Final version of the carbon map for the Sian Ka’an-Calakmul Biological Corridor (SKCC), 4) Overview document, 5) Map for the eligible zones for carbon sequestration, technical report and work plan, and 6) Financial report. In April Uyoolché delivered its second report, which includes: (1) Analysis of allometric equations; (2) Analysis of environmental monitoring systems; (3) Analysis of environmental social systems; (4) Report on “knowledge exchange” meeting between Uyoolché and Ambio. (See Annex 1, Component 1 for details).
- **FONCET** requested authorization to change the date to deliver their first report from June 16 to July 18 for its grant on: “Impulso a la Formación de una Red de Apicultores Orgánicos de El Triunfo (Organic Apiculture in El Triunfo) in Chiapas”. The NGO has been facing delays in implementing actions related to the activity due to extreme weather events. Severe storms have affected the roads connecting participating communities and thus, the project’s technical staff is only able to reach them by walking or by mule. The request was authorized by USAID on June 18.

## Field visits

- In late May, the Mexico Competitiveness Program COP, Grants Manager and Government Relations Director participated in the inauguration of the eco-hotel “Canto de la Selva” (Song of the Jungle), which is located inside the Ejido Galacia in a highly vulnerable part of

the Lacandon rainforest. Although USAID no longer finances this project, the Competitiveness Program supported the core capacity-building initiative to train community members on hotel operations and management through a grant to the NGO Natura Ecosistemas Mexicanos during FY 2009-10. The inauguration included tourism services that will be offered to the general public, including a walking tour through the jungle, a visit to a local butterfly sanctuary, river kayaking and lectures on the region's eco-system. In addition to Mexico Competitiveness Program staff, visitors included representatives from organizations that sponsored construction and equipment: Pemex, Alianza WWF/Fundacion Carlos Slim and Banamex. Canto de la Selva is now fully operational and began receiving paying visitors in June 2012.

- In April USAID/Mexico Environment Officer Diana Shannon joined the Mexico Competitiveness Program's Environmental Management (Component 1) Leader, Government Relations Director and Grants Manager on a field visit to Quintana Roo and Campeche. The group participated in knowledge exchange meetings between Program grantees Ambio and Uyoolché. The exchange had several purposes, including: (1) Helping community technicians of the El Ocote REDD+ project to learn about carbon sequestration and REDD+ activities of the Sian Ka'an Calakmul corridor (SKCC); (2) Identifying projects from the SKCC that could be replicated in El Ocote; (3) Identifying key projects in which both organizations could collaborate in the future, such as:
  - converting research information into plain language and institutionalizing a process to make that information accessible to community members;
  - systematizing methods used in grantee work and backing up data in a format that communities can access and utilize;
  - designing agreements on delivery of funds to the communities to ensure appropriate and transparent allocation for technicians, infrastructure/ community improvement projects, or training;
  - developing proposals for national public policy processes that include civil society input (*convocatorias*), especially for rules of operation that facilitate and expand opportunities for community training.

### **Administrative**

The Mexico Competitiveness Program received COR authorization to renew two grants:

- FONCET to carry out the third phase of its project on "Integration of a network of organic honey producers (men and women) from El Triunfo" in El Triunfo Biosphere Reserve, in Chiapas.
- CASFA to carry out the third phase of its project on sustainable fisheries in the Encrucijada Biosphere Reserve, in Chiapas.

# CONCLUSION

On July 1, 2012, the day after the end of FY 2012 Quarter Three, Mexican citizens elected Enrique Peña Nieto as the country's next President. Peña Nieto will take office on December 1, 2012, the day after the original end date of the Mexico Competitiveness Program Task Order. Abt Associates is pleased (subject to USAID approval) to be able to extend the Mexico Competitiveness Program by six months, creating a unique opportunity to communicate key USAID achievements to the country's new political leadership, and to help identify areas in which the next administration may wish to build upon or expand governance improvements that were supported with USAID assistance.

Given this extremely important political context, the Mexico Competitiveness Program's top priority as we begin Quarter Four is to respond fully to the Contract's Office request for a cost proposal that addresses the expanded Statement of Work described in Task Order Proposal No. 523-12-P-003. While the Competitiveness Program will introduce a couple of new activities, which arose at the direction of USAID (evaluation of Mexican export program and telecom reform proposal), most activities are expansions and extensions of work already underway. The additional time will allow the Competitiveness Program not only to deepen the significant results already achieved in innovation and competition, environmental management, climate change, and clean energy, but also to present those findings to Peña Nieto's transition team over the next five months, and directly to the new government in the half year after that.

Abt Associates and Mexico Competitiveness Program staff are mindful of U.S. government protocols regarding communication with Mexico's new political leadership, and will only initiate direct communication with U.S. Embassy authorization.

# ANNEX I: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT DURING THE THIRD QUARTER

## Color legend

Blue:	Completed
Green:	On Track
Yellow:	Behind schedule
Red:	Encountering difficulties

# COMPONENT I. ENVIRONMENTAL MANAGEMENT

## C1 Subcomponent 1: Public policy

### Program Goal

Mexico achieves a low-emissions development (LED) path and protects biodiversity

### Year 4 Goals

1. Adopt improvements in public policies that mitigate GHG emissions.
2. Adopt improvements in public policies that protect biodiversity

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 1, Subcomponent 1, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

During the third quarter of FY 2012, the Mexico Competitiveness Program continued its efforts to strengthen environmental governance by providing targeted technical assistance to develop public policies and carry out reforms identified as priorities by federal, state, and local governments. Key achievements for this subcomponent include:

#### Development of the PECC Monitoring System.

The Special Program on Climate Change (PECC) describes actions that the Federal Public Administration will carry out between 2009 and 2012 to mitigate emissions of greenhouse gases, facilitate adaptation to climate change, and support cross-sectoral coordination for climate change responses. The Program completed a web-based system that will enable SEMARNAT and other agencies to track progress in PECC implementation, take corrective actions where appropriate, and improve decision-making about policies and public investment. During this quarter, the Program delivered a set of enhancement features for the SIAT-PECC monitoring and reporting system, which will be available for the bi-monthly reporting period beginning in July 2012. In

addition to improving the system's functionality, the improved features also respond to requirements established by the "Auditoría Superior de la Federación", such as the storing of documentary evidence of progress achieved.

#### Support for Low Emissions Development Strategy (LEDS)

The Competitiveness Program supported series of studies that assess the economic and legal implications of different actions that the Government of Mexico could include under its medium-term LEDS. These studies build on efforts undertaken to develop and implement the PECC, but aim to improve the information and tools available to the Government of Mexico to plan its mitigation goals, identifying those that should be supported by national resources and those that would require additional funds from international partners or the private sector. During this quarter, USAID co-sponsored the international conference "Economía y Cambio Climático en México." Experts contracted by USAID, Agence Française du Développement (French development agency), the United Nations Development Programme and the United Nations Environment Programme, presented studies on the relationship among economic growth, production in diverse sectors, the use of natural resources and emissions of greenhouse gases (GHG). Studies financed by the Mexico Competitiveness Program were presented by UNAM economics department faculty, and focused on scenarios for energy demand and economic growth, scenarios for land use change toward a low emissions economy, and a general equilibrium analysis of consumer welfare. The studies are also available as a joint USAID-SEMARNAT publication in hardcopy or digital format (May 22).

#### Legal Aspects of Climate Change

The Competitiveness Program is working with SEMARNAT to build capacity in climate change-related legal analysis, design and implementation of legal and regulatory initiatives, or drafting bills and regulatory changes. During this quarter, the Program submitted to SEMARNAT the document "Proposals for the Continued Development of a Legal Agenda on Climate Change in Mexico", describing the main achievements to date in the development of a legal framework on climate change, including the recent adoption of the General Law on Climate Change, and a proposal to develop complementary instruments. SEMARNAT intends to use this information in the elaboration of a transition document for the incoming administration.

Mexico's Congress approved the General Law on Climate Change in April 2012. The bill makes reference to a white paper, which was developed by the Mexico Competitiveness Program, on inventories, registries and regulatory options for market readiness. The bill also acknowledges the Program's contributions in addressing technical, institutional, and monitoring challenges of achieving Mexico's climate change goals.

## Greening Government

The Competitiveness Program has been supporting the Government of Mexico City (GDF) in the development and implementation of its Environmental Management System (EMS), which aims to reduce greenhouse gas emissions and save public resources (natural and economic) by using water, energy and supplies more efficiently, as well as through better waste management. The Program presented to the Mexico City Government (GDF) the “Technical Assistance Activities Report”, summarizing the support provided by the Program to implement the city’s Environmental Management System (EMS). Between August 2011 and May 2012, 36 city departments participated in the EMS, providing information to identify potential improvements in the efficiency of water and energy use, green procurement and solid waste management.

In addition, the Program initiated an assessment to understand transportation practices and behavior of Mexico City employees as part of the ongoing support to develop a commuter trip reduction program that would become part of the city government’s Environmental Management System (EMS). The assessment will focus on six government organizations and will inform proposals to reduce congestion, time lost in traffic and emissions of pollutants.

Program consultants provided training on the preparation of solid waste management plans to Mexico City employees as part of our support of the city’s Environmental Management System (EMS). Officials from 19 Mexico City departments participated in the training (April 26-27).

## Legal framework for management of natural protected areas (NPAs)

CONANP has identified the need to reform several legal instruments in order to improve the efficiency and effectiveness of planning and regulation of economic activities within NPAs. In addition, recent Supreme Court rulings have ended legal disputes on the authority of municipal and federal governments regarding land use within NPAs. During this quarter, the Program supported SEMARNAT in drafting legal reforms that, if adopted, would support management of federal natural protected areas. The reforms would legally prohibit the expansion of urban settlements within protected areas, aligning the development of land use plans with the management programs of federal protected areas, and updating the General Law on Environmental Protection and Ecological Equilibrium to make it consistent with the more recent Law of National Waters and General Law on Sustainable Forest Development. The draft reforms are currently being reviewed by SEMARNAT and their adoption would need to be discussed during the next congressional term, beginning in September 2012.

**Changes in PMP** None.

## Events

- “Economía y Cambio Climático en México”, Mexico City, May 22.

## Publications:

- Escenarios de la Demanda de Energía y Crecimiento Económico.
- Escenarios de Cambio de Uso de Suelo Hacia una Economía Baja en Emisiones
- Análisis de Bienestar: Un Enfoque de Equilibrio General Computable

## PMP Indicators:

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>6</b>	<b>2</b>	<b>2</b>
Activity: Increased functionality for PECC monitoring and reporting System Deliverable(s): Operational website transferred to SEMARNAT	1		
Activity: LEDS: Economic studies of climate change Deliverable(s): Studies on economic growth and energy demand, distributional impacts of energy pricing policy, and effects of subsidies on GHG emissions in the agricultural/forestry sector	1	1	1
Activity: LEDS: Legal aspects of climate change Deliverable(s): White papers on: (1) analysis of legislative proposals and (2) regulatory options for national compulsory GHG registry	1		
Activity: Implementation of GDF environmental management system (1) water, procurement, energy, waste management actions; (2) development of electronic monitoring system Deliverable(s): Reports on the implementation of the EMS in at least 15 GDF agencies; operational monitoring system	1	1	1
Activity: Natural Protected Area legal reforms: Deliverable(s): Reform proposal to strengthen property rights and land use management in protected areas	1		
Activity: Chihuahua State Climate Change Action Plan: Deliverable(s): Draft report of priority policy options for reducing GHG emissions and associated investments and reforms	1		

## C1 Subcomponent 2: Alternative Incomes

### Program Goal

Sustainable practices protect ecosystems and improve rural livelihoods

### Year 4 Goals

Develop and implement mechanisms for payment for environment services.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 1, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

The Government of Mexico acknowledges that the conservation and sustainable use of the country’s natural resources require that rural communities develop the capacity to sustainably produce goods and services taking advantage of such resources. The National Forestry Commission (CONAFOR) requested technical assistance from the Competitiveness Program to develop a database on local payment for environmental services (PES) mechanisms and extract lessons learned and best practices to inform replication. During the second quarter, the Program initiated the collection of primary data and interviews with stakeholders, which will be integrated into the database.

The Program renewed two small grants: (i) to FONCENT for the integration of a network of organic honey producers (men and women) from El Triunfo” in El Triunfo Biosphere Reserve, in Chiapas, and (ii) to CASFA to continue the project on sustainable fisheries in the Encrucijada Biosphere Reserve, in Chiapas.

### Changes in PMP

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### Events

- None.

### Publications:

- None.

**PMP Indicators**

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>1</b>		
Activity: Best practices and lessons learned from PES mechanisms throughout Mexico Deliverable(s): Report on dissemination of best practices and lessons learned among key stakeholders	1		
Activity: CCMSS Amanalco hydro PES Deliverable(s): Report on pilot implementation of the PES mechanism and its monitoring and evaluation system	1		
Activity: Competitiveness analysis of 10 forestry enterprises. Deliverable(s): Draft report with recommendations to enhance competitiveness of forestry enterprises, including 10 case studies	1		

## C1 Subcomponent 3: Sustainable Landscapes

### Program Goal

Greenhouse gas emissions mitigated through implementation of REDD+ mechanisms

### Year 4 Goals

1. Pilot REDD+ projects lay the ground for GHG mitigation and inform policy development

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 1, Subcomponent 3, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

Roughly 10 percent of Mexico’s greenhouse gas emissions stem from deforestation and forest degradation. In addition to contributing to global climate change, these processes cause the loss of biodiversity and valuable resources that sustain the livelihoods of millions of people, most of whom are poor or vulnerable to poverty. The Government of Mexico is committed to developing a National Strategy to Reduce Emissions from Deforestation and Degradation (REDD+), which will be informed by analytical work and pilot projects. The Competitiveness Program is working with CONAFOR, NGOs and other stakeholders to implement REDD+ pilots and provide technical inputs for the development of the National REDD+ Strategy.

- **AMBIO** made two presentations to share findings related to social and environmental safeguards that were monitored for the USAID-supported REDD+ pilot project implemented in the Biosphere Reserve “El Ocote” (REBISO), Chiapas. The presentation included the results of the survey administered to households that identified the norms, agreements and rules that define community governance in participating communities. The first presentation was held on June 12 during the meeting of the REDD+ Consultative Technical Council (CTC). The second was held on June 14 at the regional office of the National Commission for Natural Protected Areas (CONANP) in Ocozocuaula, Chiapas, and included the participation of the General Director of the REBISO, the “Comisariados Ejidales” of three communities and the community technician team. On June 25, AMBIO submitted its final report for the fourth phase of Ocote project. The report includes: 1) Identification of the social and

environmental safeguards that were monitored for the REDD+ pilot project, 2) Results of the survey administered to households that identified the norms, agreements and rules that define community governance in the participating communities, and 3) Definition of actions that will be undertaken to strengthen local capacities for REDD+ implementation.

- **U’Yoolché** requested an extension to submit its final report for the third phase of the Carbon capture and REDD+ pilot project in ejidos of the Sian Ka’an – Calakmul corridor in the Yucatan Peninsula for FY2012. The request was authorized by USAID on June 1. On June 25, U’Yoolché submitted the report, which includes: 1) Final version of monitoring systems designs, 2) Final version of the territorial alignment strategy, 3) Final version of the carbon map for the Sian Ka’an-Calakmul Biological Corridor (SKCC), 4) Overview document, 5) Map for the eligible zones for carbon sequestration, technical report and work plan, and 6) Financial report. In April Uyoolché delivered its second report, which included: (1) Analysis of allometric equations; (2) Analysis of environmental monitoring systems; (3) Analysis of environmental social systems; (4) Report on “knowledge exchange” meeting between Uyoolché and Ambio. (See Annex 1, Component 1 for details).

### Changes in PMP

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### Events

- None.

### Publications:

- None.

### PMP Indicators

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>4</b>	<b>2</b>	<b>2</b>
Activity: Ambio REDD pilot in El Ocote. Deliverable(s): Report on implementation of safeguards, adoption of best practices for livelihoods, community-based monitoring	1	1	1
Activity: U'yolchee carbon capture in Ejido Felipe Carrillo Puerto. Deliverable(s): Third party approval of technical specifications for carbon capture, replication of	1	1	1

methodologies in the Calakmul – Sian- Kaan corridor			
Activity: TNC Yucatan Peninsula Regional REDD+ program. Deliverable(s): Report on the drivers of deforestation and degradation in the Peninsula and report on the establishment of a regional advisory council on REDD+.	1		
Activity: CCMSS Analysis of drivers of deforestation and degradation. Deliverable(s): Report on the drivers of deforestation and degradation in priority areas of Chiapas, Oaxaca and Quintana Roo	1		

# COMPONENT 2. ECONOMIC GOVERNANCE

## C2 Sub-Component 1: Public Policies and Programs for Competitiveness and Innovation

**Program Goal:**

Mexican businesses have greater access to best international practices that foster their development and competitiveness.

**Year 4 Goals.**

- Innovative and traditional small businesses in Cd. Juárez region have access to high quality development, finance and commercialization services through a network of incubators.
- Young entrepreneurs in Mexico receive training on scenario analysis to explore new market opportunities and global trends toward “sustainability.”
- National or regional employment programs are crafted following best international practices.

**Environmental Regulation Compliance**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 2, Subcomponent 1, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

**Results narrative**

Scenario Planning for Young Entrepreneurs in Mexico

The sessions of scenario planning for COPARMEX young entrepreneurs carried out in the preceding quarter produced six business plans (three in Merida and three in Mexico) that address adverse hypothetical conditions. Using this experience, the Lexington Group participated in the G-20 Young Entrepreneur Summit (YES) on June 3-5 and coordinated a two-day workshop. The G-20 YES workshop replicated in a compressed schedule the exercise performed in Merida and Mexico, this time with young entrepreneurs coming from other Latin American countries. The Mexican participants in the summit, who had previously been exposed to this exercise, led the discussion and showed their counterparts how they could create sound businesses that would be profitable, sustainable and socially committed to their community. The Lexington group acted as a

facilitator, consolidating policy positions and recommendations of Latin American young entrepreneurs during the summit. These policies and recommendations were delivered to President's Calderón's staff. Among the most important results of this workshop was a communiqué that proposes the establishment of a new association of young entrepreneurs to foster innovative and sustainable businesses.

#### Incubation network in border region

The second stage of the project led by Paso del Norte Group (PDN) focuses on the consolidation of an incubator network formed by the Tec de Monterrey, the Autonomous University of Ciudad Juarez (UACJ), Juárez Tech (ITCJ), Juárez Tech University (UTCJ). In April, PDN began a training course for directors and advisors of incubators, and hired a former Small Business Development Center (SBDC) consultant. During the two week training session a lawyer from El Paso gave a lecture on open branches in Texas and New Mexico. In May the training was completed with the visit of experts who presented feasibility studies, as well as a banker who discussed credit services for SMEs. The network also completed the incubator business plan and drafted the organization's charter, which is under review at the legal department from the Tec de Monterrey. PDN also participated in the event called Juárez Creativa in the panel of Entrepreneurship.

#### Youth Employment Program in Mexico

The Mexican Youth Institute (IMJUVE) requested technical assistance to carry out a comprehensive diagnosis on youth employment for young people who neither study nor work ("NiNis" in colloquial Spanish). The study will include a design for a new program that is tailored to the needs of young people in areas such as vocational mentoring, career identification that match specific aptitudes, training in interpersonal communication and traditional classroom and on the job trainings. In April the Competitiveness Program advertised a call for proposals for a qualified organization to carry out the technical assistance. C-230, a Mexican research NGO with experience in policy evaluation, was selected and the contract was signed in June 25. Main findings of the activity will be reported in the fourth quarter. We expect to present main findings and recommendations to the transition team of the new president in the coming months.

#### **Changes in PMP**

None

#### **Events**

- G-20 Young Entrepreneur Summit: México City June 3-5

**Publications:**

- None.

**PMP Indicators:**

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>3</b>	<b>0</b>	<b>0</b>
Activity: PDN Small Business promotion center Deliverable(s): Report on companies served and manual on best practices for exports	1	0	0
Activity: National/regional Employment Program Deliverable(s): Draft report and recommendations on modifications for rules of operation	1	0	0
Activity: Scenario based training for young entrepreneurs at COPARMEX Deliverable(s): training sessions performed and article	1	1	1

**C2 Subcomponent 2: Competition Policy**

**Program Goal:**

Mexico effectively curbs monopolies and anticompetitive practices.

**Year 4 Goals.**

- CFC has greater capacity to investigate and litigate competition cases.

**Environmental Regulation Compliance**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 2, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

**Status: GREEN**

**Results narrative**

This narrative includes activities under the Programs assistance to Federal Competition Commission (CFC) and the judiciary.

Anti Bid Rigging Model Law for Mexican States

On June 6, the Mexican Competitiveness Institute (IMCO) organized a meeting with experts from OECD, Mexico's Federal Competition Commission (CFC), state controller officials from five states (Campeche, Guerrero, Oaxaca, Puebla, and Zacatecas) and several NGOs and private organizations (Transparencia Mexicana and Aklara, a firm specialized in reverse auction systems) to review a preliminary draft of a model law on state public procurement. The discussion led to numerous suggestions and recommendations to improve the proposal. Among the most important was that the model law should favor the use of electronic auctioning systems instead of paper systems. Experts also suggested multiplying civil oversight of the auctioning process when possible. It was also suggested that the law allows the creation of a consolidated procurement system among states that can lower the price by purchasing volume. Finally, despite some criticisms and suggestions on the draft, the model law was highly praised by all participants in the meeting.

#### Mexican Aviation and Air Transport Sector

In June the consultant hired to write a policy paper on Mexican Aviation delivered the final report. The paper analyzes three central factors which are key for the good functioning of the aviation sector: 1) international tendencies that are displayed worldwide in this sector; 2) The value chain accompanying the aviation sector since this is a complex industry which requires all sort of services from multiple providers; and 3) the balance that this sector needs to strike between aviation safety, aviation security and competitiveness. Regarding international tendencies, the paper states that international practices suggest that more liberalized aviation sectors get better prices, an increase in the number of passengers and better connectivity. Although Mexico has not a protected aviation sector, the country still has room to increase the liberalization of the sector when compared to other similar sized economies. Regarding the value chain, this is sector where México needs to improve steadily since high taxes charged for airport and security, the lack of a competitive policy to assign slots in Mexico City airport and oligopolistic structures in ground services and connectivity services (like taxis) hinder the overall competitiveness of the sector and increase price steadily. The Mexican Chamber of Aviation Industry (CANAERO by its acronym in Spanish, is interested in discussing the findings of the paper with the transition team of the new elected President.

#### Book on Pension Funds

The Mexico Competitiveness Program supported the editing and printing of a booklet on pension fund management: *El mercado de Afores: Propuestas para reducir los riesgos de los sistemas de pensiones de México*, written by Dario Obarra Zavala. The book was published in June by research NGO Center for Development Research (CIDAC) and the Mexican Network on Competition and Regulation, a Competitiveness Program grantee.

#### Electronic Government for CFC

On May 7, Mancera y Asociados SC (a subsidiary of Ernst and Young) finished an Ethical Hacking diagnostic for CFC. The central purpose was to prevent illicit access to personal or corporate data that is stored on institutional servers. The Ethical Hacking diagnostic came at a timely moment: near the end of the consultancy performed by Mancera, page CFC's webpage was hacked. The contractor provided CFC with a useful overview of weaknesses in the agency's web page and electronic systems. The hacking of the web page was also instrumental in creating awareness among CFC's Commissioners about the importance of investing in electronic system protection. One of the most important conclusions from the diagnostic is that the transparency microsite (a project financed by USAID and the British Government) that stores all ruling from the Commission since its creation is well designed and less prone to be hacked than the institutional web page.

Concerning the electronic notification system, a competitive bid was carried in February and four companies submitted proposals. On May 1, MCP signed a contract with "C & A systems" to develop the system. The consulting firm developed an initial diagnostic and software architecture for the system. Full results for this activity will be reported in the fourth quarter.

At the end of the June, CFC officials requested from USAID technical assistance to develop an Information Technology Forensics system that will make it possible for CFC officials to effectively carry out "dawn raids" that are now permitted under Mexico's amended competition law. CFC bid the contract using an innovative "reverse auction," and USAID agreed to accept the results of the bid in contracting IT services for CFC. The full result of the auction and implementation of IT Forensics system will be reported in the next quarter and in the first and second quarters of FY 2013.

#### Judiciary Training in Competition Issues

From May 14-16, the USAID/Mexico Competitiveness Program co-sponsored a capacity-building conference for Mexican judges and clerks on competition issues related to "absolute monopolistic practices" (i.e., cartels). The Competitiveness Program collaborated with numerous organizations, including the Arizona-based NGO National Law Center, the Mexican Judicial Institute, CFC, the U.S. Department of Justice and the U.S. Federal Trade Commission. CFC President Eduardo Pérez Motta focused his keynote speech on the importance of competition for the Mexican economy and how CFC has been improving its communication with the judiciary. On the second day, Daniel Dominguez, a federal Judge from the Puerto Rico District, explained the importance of using circumstantial evidence to prove cases of collusion, using the example of asphalt producers in Illinois. Mexican Judge Jean Claude Tron described how the Mexican Judiciary has prosecuted cartels, citing the case of three insulin laboratories that fixed prices for sales to the Mexican Institute of Social Security. DOJ official Ana Pletcher demonstrated that rulings, fines and criminal prosecution of individuals for cartel behavior have increased in the United States over the last decade. FTC official Russell Damtoft presented some useful "rules of thumb" that can alert authorities about cartel

practices and guide judicial rulings. For example, the creation of sector-specific associations may indicate greater opportunities for collusion. During the final two days, judge and clerks participated in a hypothetical case of collusion (bread distribution in Mexico City) as part of a capacity-building effort to better understand the economic logic and analysis of ant-competitive practices. 60 participants attended the conference and the training, including judges and Clerks specialized in administrative law.

### Changes in PMP

None.

### Events

- May 14-16, Capacity Building Conference for Judges and Clerks on absolute monopolistic practices.

### Publications:

- Darío Ibarra: El mercado de Afores: Propuestas para reducir los riesgos de los sistemas de pensiones en México (México: CIDAC/Red de Competencia y regulación/USAID, 2012).
- Víctor Hugo Valdés Cervantes, Recomendaciones de Política Aeronáutica para México (México, USAID, 2012)

### PMP Indicators:

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>3</b>	<b>0</b>	<b>0</b>
Activity: IMCO Model Law on bid rigging Deliverable(s): Model law draft	1	0	0
Activity: E-Government for CFC Deliverable(s): (a) Hacking diagnostic; (c) Electronic notification system	1	0	0
Activity: Aviation sector research Deliverable: Policy recommendations to increase competition in aviation industry and airport services	1	1	1

# COMPONENT 3. EFFICIENT PRECURSOR AND FACTOR MARKETS

## C3 SUBCOMPONENT 2: Improved Urban Water management

### Program Goal:

Municipal water utilities become more competitive, as measured through efficient operation and cost-effectiveness.

### Year 4 Goals:

- Provide easy access to technical information about efficiency and financial sustainability of water utilities.
- Strengthen legal authority of municipal water utilities.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 3, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

There are no significant results to report from the third quarter.

### Changes in PMP

### Events

- None

### Publications:

- None

### PMP Indicators:

	Target FY2012	Achieved Q2	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	<b>3</b>	<b>0</b>	<b>0</b>
Activity: Content of technical course for ANEAS/Utility workers Deliverable: Course content (diplomado)	1		
Activity: Inputs to modify water laws (rights to water.). Deliverable(s) <ul style="list-style-type: none"> <li>• Recommendations and modifications to the law</li> <li>• Assessment of water operators' competitiveness</li> <li>• Management strategy</li> </ul>	1		
Activity: Strategic support for Ciudad Juarez water utility master plan Deliverable: Draft needs assessment and strategic plan	1		

# COMPONENT 4. CLEAN ENERGY

## C4 SUBCOMPONENT 1: Subnational

### Program Goal:

Increased use of clean energy technology contributes to GHG mitigation and achievement of a low carbon development strategy.

### Year 4 Goals:

- Subnational governments have information that facilitates entering into PPPs for clean energy.
- Subnational governments adopt programs and policies that foster clean energy projects.
- Greater participation of local businesses in the renewable energy value chain.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 4, Subcomponent 1, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request.

Status: **GREEN**

### Results narrative

#### Cleantech Challenge Mexico 2012

The Mexico Competitiveness Program-supported Cleantech Challenge Mexico 2012 (CTCM) announced the 128 ideas, projects and businesses, from almost every state of Mexico, selected to participate in the six-month open acceleration process and competition. During the launch event (May 21) USAID/Mexico Mission Director Tom Delaney gave a speech that emphasized shared objectives of promoting SME innovation, competitiveness, green economy, economic growth and climate change mitigation (May 21).

The CTCM held its first workshop: “Startups: Business Models and Financing” (May 22-23) presented entrepreneurs and competitors with theory and practice related to creating a sustainable business model. Through the use of real-world and hypothetical business cases, the workshop challenged participants to prepare an effective business model they will be required to defend, along with their technology, in a 10-minute

presentation during the first elimination round that will take place on June 8 and 9. Each 8-hour long workshop takes place at least 2 weeks before each elimination round and is meant to prepare competitors for each different stage. The broader part of the CTCM also includes a series of seminars, and this month topics covered were “legal and fiscal aspects of starting a business” (May 29) and “patents and industrial property protection” (May 30).

The first elimination round of the Cleantech Challenge Mexico 2012 (CTCM) took place in Mexico City, Puebla, Guadalajara and Monterrey (June 8-9). The 64 winners of the first round were announced at a networking breakfast for competitors and the press and their names published on the CTCM website. The announcement is available at: <http://www.cleantechchallenge.org/noticias/noticia.php?id=77>

CTCM competitors and registered projects participated in the second capacity-building workshop “Market Development Strategies.” The purpose of the workshop was to prepare competitors for the second elimination round, which will evaluate market development strategy, including potential market, marketing plan, distribution channels, sales strategy, competition, potential barriers and obstacles (June 19-20). CTCM held the seminar “Entrepreneur and Communication” on June 26-27. The second elimination round took place on July 6-7 in Mexico City, Puebla, Guadalajara and Monterrey.

#### Innovation competitiveness and clean energy/technology

Responding to a request from the U.S. Embassy, the Mexico Competitiveness Program provided advice on agenda, content, speakers and invitees for the conference “From Lab to Market: Facilitating Mexican Intellectual Property and Innovation,” which was held in Mexico City in honor of World Intellectual Property Day (April 26). Carbon Click, a Cleantech Challenge 2011 participant, was invited to present at the conference on a panel on patent registration, along with two experts from the U.S. Patent and Trademark Office and the Mexican Institute for Industrial Property (IMPI). The Mexican company has a patented technology for a CO<sub>2</sub> capture and transformation process. The Mexico Competitiveness Program has supported Cleantech Challenge Mexico since its first edition in 2010.

USAID/Mexico hosted a roundtable on green business development (May 15) with entrepreneurs from clean technology start-ups MODEBO, Eco-sfera and Aventones (finalists from the 2010 and 2011 Cleantech Challenge Mexico.) Other participants included representatives from two policy think tanks supported by the Competitiveness Program, Fundación IDEA and the Mexican Competitiveness Institute, a venture capital firm, and the organizers of Cleantech Challenge Mexico (GreenMomentum and Impulso Verde). The entrepreneurs shared their perspective on barriers and enablers for innovation in Mexico. Fundación IDEA President Alberto Saracho described central findings from USAID-supported research on entrepreneurship and innovation policy, noting his organization’s contribution to establishing new rules of operation for a federal innovation fund. Participants described the complex environment for green start-ups but maintained that their innovations are ultimately fueled by private sector demand and greater public awareness about the need to reduce environmental impact and

greenhouse gas emissions.

The founder and CEO of Ecopipo, a Cleantech Challenge 2011 finalist, was nominated by the Competitiveness Program to participate in the Latin America Women's Entrepreneurship Program. She was selected to participate in the two-week program from May 12-24 but had to decline due to health related issues.

#### Baja California energy profile and scenarios and wind energy initiative

The Competitiveness Program finalized a report on Baja California's metal-mechanic sector and areas of opportunity for wind turbine component supply by local business. Main findings were presented to the Baja California State Energy Commission (May 9) and report findings will be used by the BCSEC as part of their investment promotion strategy. The next phase will focus on services (including post-warranty operation and maintenance opportunities in the state-owned La Rumorosa I wind farm) and a business incubation plan.

COLEF delivered the 2025 Baja California Energy scenarios, as part of the Mexico Competitiveness Program's Energy Profile project. The document contains two scenarios: 1) Business as Usual: taking into account current strategies by the federal government; and 2) Feasible: alternative actions and policies at the local level with their associated GHG emission reductions. The profile will be presented to a state government energy committee in order to integrate the indicators and recommendations into government and policy planning process.

On June 15 and 22, the Baja California state government published in the state's Periódico Oficial the "Ley de Impulso a la Eficiencia Energética" and the "Ley de Energías Renovables." The first law creates the Energy Efficiency Information System, which will be based on the indicators developed for the Baja California Energy Profile. The second law instructs the Secretariat of Economic Development to develop a catalogue and promote local businesses with goods and services in the clean energy value chain. This provision supports the institutionalization of the state's wind and renewable energy value chain initiative.

#### Clean Energy in Ciudad Juárez

The Competitiveness Program met with officials from Ciudad Juárez (May 4) regarding technical assistance for an energy efficient street lighting replacement program through long-term investment projects (public-private partnerships -- PPPs). The municipality recently undertook, with assistance from the Border Environment Cooperation Commission (BECC), a hydraulic concrete paving PPP that is still the subject of political dispute. In a follow-up meeting (May 21), BECC staff suggested that the current political environment in Ciudad Juarez may not be conducive to a new PPP proposal, but suggested a joint workshop for state legislators and municipal *regidores* from other cities on clean energy PPPs. The Mexico Competitiveness Program will monitor progress on the current PPP proposal in Ciudad Juarez and make adjustments as appropriate.

For FY2012, the USAID-supported Ciudad Juárez Clean Energy Network (REDEER) has focused on coordinating five main activities: 1) Participation with clean energy equipment from locally based businesses (network members) for the sustainable

house/space at the La Rodadora museum; 2) investment alternatives and promotion strategies; 3) research, capacity building and information dissemination; and 4) a green fair to showcase clean energy technologies. On June 30 REDEER held its first planning meeting for 2013. Up to now, REDEER has been coordinated by the Colegio de la Frontera Norte almost exclusively with support from the Competitiveness Program, which will finalize on September of this year

### Changes in PMP

None.

### Events

- April 26. "From Lab to Market: Facilitating Mexican Intellectual Property and Innovation." Mexico City.
- May 15. Green economy roundtable with USAID LAC Assistant Administrator. Mexico City
- May 21. Cleantech Challenge Mexico 2012 (CTCM) launch event. Mexico City.
- May 22-23. "Startups: Business Models and Financing" CTCM workshop. Mexico City.
- June 8-9. First elimination round of the CTCM. Mexico City, Puebla, Guadalajara and Monterrey.
- June 19-20. "Market Development Strategies" CTCM workshop. Mexico City
- June 26-27. "Entrepreneur and Communication" CTCM seminar. Mexico City.

### Publications:

- None

### PMP Indicators:

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	5		
Activity: Local government energy projects Deliverable(s): PPP website on muni and state energy projects	1		
Activity: Baja California Energy Profile Deliverable(s): Report on 2010-2020 scenarios	1	1	1
Activity: Energy Strategy for Subnational Government Deliverable(s): Recommendations for energy activities and investments at state and local levels.	1		
Activity: Renewable Energy Value Chains Program in Baja California Deliverable(s): Diagnostics of metal-mechanic sector	1	1	1

and business to supply wind energy OEMs			
Activity: Renewable Energy Supplier Development Web Portal Deliverable(s): Additional functionality for B2B website	1		

## C4 SUBCOMPONENT 3: Sustainable Buildings

### Program Goals:

Homes and buildings increase use energy efficiency and renewable energy

### **Year 4 Goals:**

- Small businesses have access to information about economic savings from purchasing new electrical equipment and access to financing.

### **Environmental Regulation Compliance**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts that cannot be mitigated result from the activities. All activities included in Component 4, Subcomponent 3, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

**Status:** GREEN

### **Results narrative**

Mexico Competitiveness Program Chief of Party (COP) and Component 4 (Clean Energy) Lead met with officials from the National Electricity Savings Trust Fund (FIDE) and NAFIN, Mexico’s largest public sector development bank, to discuss next steps in uploading an electricity savings calculator (developed with USAID funding) to FIDE’s website, as well as planning for a public event on the national launch of a NAFIN credit program to finance purchases of efficient equipment by small businesses. The website is expected to be uploaded in April. Because of the upcoming political campaign, FIDE and NAFIN concur that any event should occur after the July elections. In any case, NAFIN’s financing program, has not yet begun, as necessary administrative authorizations are still pending.

**Changes in PMP:** None

**Events:** None

**Publications:** None

### **PMP Indicators**

	Target FY2012	Achieved Q3	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	1		
Activity: Cost/efficiency calculator for energy efficient equipment for NAFIN’s credit program Deliverable: Operational website/calculator	1		

# ANNEX 2: TRAINING

DATES		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
FROM	TO					
April 26, 2012	April 27, 2012	Mexico City	Workshop on Management Plan Elaboration / GDF	23	19	4
May 2, 2012	May 2, 2012	Mexico City	Workshop on Management Plan on Solid Wastes / GDF	23	18	5
May 14, 2012	May 16, 2012	Mexico City	Capacity-Building for Mexican Judges on Competition Issues	69	43	26
May 26, 2012	May 26, 2012	Ciudad Juárez	Workshop for Certification of Advisors and Executives on Business Plan of the Incubator Network	14	7	7
June 8, 2012	June 9, 2012	Mexico City, Puebla, Guadalajara and Monterrey	First elimination round of the Cleantech Challenge Mexico	128	82	46
June 14, 2012	June 14, 2012	Ocozocuaula, Chiapas	Present main findings related to the social and environmental safeguards that will be monitored for the REDD + pilot project	13	10	3
<b>TOTAL</b>				<b>270</b>	<b>179</b>	<b>91</b>