



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA

MEXICO

QUARTERLY REPORT JULY – SEPTEMBER 2012

USAID/MEXICO COMPETITIVENESS PROGRAM

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

10 October 2012

[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.]

This report was produced by Abt Associates Inc. for the United States Agency for International Development.

QUARTERLY REPORT

JULY 1 – SEPTEMBER 30, 2012

USAID/MEXICO COMPETITIVENESS PROGRAM

Contract No. EEM-I-00-07-00004-00



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

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

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

REDD:	Reducing Emissions from Deforestation and Forest Degradation
SEDECO:	Secretaría de Desarrollo Económico (State level Secretariat of Economic Development)
SEMARNAT:	Secretaría de Medio Ambiente y Recursos Naturales (Ministry for Environment and Natural Resources)
SENDAS:	Senderos y Encuentros para un Desarrollo Autónomo Sustentable (Paths and Meetings for Sustainable Self-Development)
SENER:	Secretaría de Energía (Energy Ministry)
SIEM:	Sistema de Información Empresarial Mexicano (Mexican Business Information System)
SME:	Small and Medium Sized Enterprise
SOW:	Scope of Work
TDA:	Trade Development Agency
UCAI:	Unidad Coordinadora de Asuntos Internacionales (International Affairs Coordination Unit)
UNDP:	United Nations Development Programme
US:	United States
USAID:	United States Agency for International Development
USG:	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 Competitiveness 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 fourth quarter of Program FY2012, July 1 – September 30, 2012, with a focus on technical activities, administrative issues that affect implementation, and grants management. The Program's four governance areas addressed:

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 (SE).

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 FY 2012 RESULTS

During FY 2012 (October 2011 – September 2012), the Mexico Competitiveness Program carried out major activities across all component areas. In particular, the Program achieved significant impact on improved governance in the implementation of climate change and resource management policy, promotion of clean energy, and competition policy.

Component 1: Environmental Management

Climate Change and Biodiversity Policy

- The Mexico Competitiveness Program delivered a set of enhancement features for the SIAT-PECC monitoring and reporting system. 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.
- Through its Mexico Competitiveness Program, USAID co-sponsored the international conference "Economía y Cambio Climático en México." Experts contracted by USAID, Agence Française du Développement (French development agency), and the United Nations Environment Programme, presented studies on the relationships between 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.
- Mexico Competitiveness Program subcontractor MGM Innova presented to SEMARNAT a draft final report on the carbon market readiness workshops carried out to develop Project Identification Notes (PINs) for governmental activities that would be eligible to access carbon finance through voluntary and compliance markets.
- 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 legal and regulatory instruments.
- On September 9, USAID Mission Director Tom Delaney received a letter from Senator Ninfa Salinas, former President of the Commission on Environment and Natural Resources of Mexico's lower chamber, who acknowledged the Mexico Competitiveness Program's contributions to the development of the recently adopted General Law on Climate Change, particularly the development of provisions on the national GHG registry, inventories and market mechanisms for GHG mitigation.
- 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. Mexico City's Secretary of Environment Martha Delgado convened a special meeting to personally thank USAID for its support of the City's Environmental Management

System (EMS), stating that the system's implementation would not have been possible without support from the Mexico Competitiveness Program.

- As part of its ongoing efforts to strengthen CONANP, the Mexico Competitiveness Program presented to SEMARNAT a proposal for a legal modification of the General Law on Environmental Equilibrium and Environmental Protection. The proposal was developed after a Supreme Court resolution ended a legal dispute and established that municipal governments do not have the authority to develop land-use plans within federal natural protected areas. SEMARNAT will work with Congress to modify the General Law so that Supreme Court involvement is not necessary in future disputes. The Competitiveness Program also supported the development of draft reforms that would legally prohibit the expansion of urban settlements within protected areas, align the development of land-use plans with the management programs of federal protected areas, and update 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.

Alternative Incomes in High Biodiversity Areas

- The Mexico Competitiveness Program organized a workshop in Mexico City on financing for local Payment for Environmental Services (PES) mechanisms. The event, which included the National Forestry Commission and major environmental NGOs, was followed by a detailed training event in Guerrero which explored successful experiences in Mexico and other Latin American countries (September 18).
- Mexico Competitiveness Program grantee Centro de Agroecología San Francisco de Asís (CASFA) started the third phase of the USAID-supported sustainable fisheries strategy in the Encrucijada Biosphere Reserve, in Chiapas. This phase started with a training workshop on community business organization and a business assessment applied to six fishing communities (May 15).

Sustainable Landscapes

- Program grantee AMBIO completed the fourth phase of the USAID-supported REDD+ pilot project implemented in the Biosphere Reserve "El Ocote" (REBISO), Chiapas. Work during this phase focused on: 1) identification of the social and environmental safeguards that need to be monitored for the REDD+ pilot project; 2) development of an assessment and baseline on the norms, agreements and rules that define community governance in the participating communities; and 3) strengthening of local capacities for REDD+ implementation.
- Program grantee U'yool'ché completed the third phase of the carbon capture and REDD+ pilot project in ejidos of the Sian Ka'an – Calakmul corridor in the Yucatan Peninsula. U'yool'che completed during this phase: 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); and 4) map of eligible zones for carbon sequestration.
- Mexico Competitiveness Program subcontractor The Nature Conservancy (TNC) presented its final report on drivers of deforestation and degradation in the Yucatan Peninsula. The findings of the analysis will be shared with the USAID MREDD program. Competitiveness Program subcontractor Consejo Civil Mexicano para la Silvicultura Sostenible (CCMSS) submitted its final report on the identification of drivers of deforestation and degradation in Chiapas, Quintana Roo and Oaxaca. CCMSS also prepared and distributed a newsletter to disseminate the study's findings and recommendations.

Component 2: Economic Governance

Competition

- Competitiveness Program subcontractor Mexican Competitiveness Institute (IMCO) delivered its final report on a model law to prevent bid-rigging in state government procurement. The model law adapts recognized international best practices and was prepared in close consultation with GOM officials and independent legal experts to ensure applicability within Mexico's federalized system. In a formal ceremony held in Monterrey on October 2, the Governor of Nuevo Leon signed a *convenio* with IMCO and the OECD, making a commitment to seek adoption of the proposed law in Mexico's most important industrial state.
- On March 22, 2012, Mexico's Federal Competition Commission (CFC) held its annual Dia de Competencia. The conference focused on best national and international practices to avoid bid-rigging in public sector procurement. United States Ambassador Anthony Wayne gave a closing speech in which he highlighted the important efforts and achievements made by the CFC to foster competition during this administration. Over 200 participants attended, including academic researchers, government officials and private sector lawyers.
- From May 14-16, 2012, 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 Competitiveness 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. One hundred and three (103) participants attended the conference and training, including judges and clerks specialized in administrative law.
- The Competitiveness Program supported the production of 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 diagnostic was timely as its completion coincided with the hacking of CFC's homepage. The diagnostic provided CFC with a useful overview of weaknesses in the agency's website and electronic systems. One of the most important conclusions from the diagnostic is that the transparency microsite (a project financed by USAID through the Mexico Competitiveness Program and the British Government) that stores all rulings from the Commission since its creation is well designed and less vulnerable to hacking than the institution's main website.
- The Mexico Competitiveness Program produced a research paper on the country's aviation sector policy which describes the current state of competition in the airline industry and aviation/airport service sector. The paper offers several policy proposals to improve efficiency and reduce prices. As of the end of September 2012, it was under review at CANAERO, Mexico's aviation business chamber, which is expected to endorse specific recommendations for the incoming federal administration to consider.

Employment and Workforce Development

- One of the most important achievements of the year was the development of a policy initiative to promote the employment of young people who neither work nor study (NiNis in colloquial Spanish). The activity builds upon FY 2011 work in which the Competitiveness Program carried out an evaluation of an innovative NiNi program for youth in Ciudad Juarez. On October 26, 2011, at a meeting of the Juarez Citizen Council on Employment Promotion, USAID Senior Deputy Assistant Administrator Amb. Liliana Ayalde delivered a speech highlighting the role of international assistance in supporting government and civil society efforts to promote employment for youth. At the same meeting the Juarez city council and Mexican Minister of Labor Javier Lozano requested additional USAID assistance to strengthen a national employment program targeting young people. A month later (November 30) subcontractor C230 presented main findings from the Juarez evaluation at the 33rd Annual Meeting of the National Employment Service, held in Mazatlán, Sinaloa.
- Shortly after the request for additional assistance by the Juarez city council, the leadership of the Ministry of Labor (including the secretary and sub-secretary with whom we had worked) was changed. While the new leadership had less knowledge of and interest in the NiNi program, the Mexican Youth Institute (IMJUVE) requested further technical assistance from the Mexico Competitiveness Program to build upon lessons learned in Juarez and propose reforms for a national youth employment program. (IMJUVE is part of the Ministry of Education and promoting youth employment is a key part of its mission.) On August 3, C230 and Competitiveness Program staff presented research findings and recommendations for a national program to IMJUVE's director and staff. The findings include recommendations for more effective and targeted program operation and beneficiary coverage.
- The head of Peña Nieto's transition team focusing on youth issues requested a presentation by the Mexico Competitiveness Program, which was made on October 3, 2012. The presentation focused on research findings and recommendations for the creation of a new national program focused on youth people. The transition team official requested USAID assistance in developing a proposal for a pilot test program that will be submitted to Congress in order to apply federal resources in five cities in 2013.

Competitiveness and Innovation

- In an important follow-up to the Mexico Competitiveness Program's Fondo PyME tracking activity, officials from the Ministry of Economy presented to the Competitiveness Program team significant governance improvements to the Fondo PyME. Key reforms include greater transparency of funding operations within Intermediary Organizations (IOs), which channel SE funds to SMEs, stricter criteria on the selection and operation of IOs, and a new electronic transparency system that discloses key information about IOs and beneficiaries.
- Mexico Competitiveness Program subcontractor Paso del Norte Group (PDN) produced an export manual to be used by small businesses in the Juarez region. The manual describes processes for accessing funds and technical support from a variety of public and private programs that foster exports. In addition, PDN collaborated with four Ciudad Juarez-based universities to establish a network of business incubators in Juarez. The network's purpose is to share effective practices and promote local business development opportunities. The Autonomous University of Ciudad Juarez (UACJ) and the state government each pledged 300,000

pesos (about USD \$46,000), demonstrating how USAID resources helped to leverage external funding and promote the network's sustainability. A formal memorandum of understanding (MOU) between PDN and the universities was signed on September 25.

- From June 3-5, 2012, Mexico Competitiveness Program subcontractor 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. The findings and recommendations were based largely on scenario planning seminars that the Lexington Group carried out, with USAID funding, with members of COPARMEX Young Executive Committee earlier in the year.

Component 3: Efficient Factor and Precursor Markets

Water

- The Mexico Competitiveness Program collaborated with the Border Environment Cooperation Commission (BECC) to support the development of a *Plan Maestro de Agua y Sanamiento* (Water and Sanitation Master Plan) for the Ciudad Juarez water utility. Principal stakeholder included USAID and BECC (the funders), 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. USAID's contribution to the master plan focuses on Mexico Competitiveness Program priorities, including energy efficiency, options for investing in renewable energy, and water re-use. Preliminary reports and recommendations were delivered in the fourth quarter and are currently under review by staff from the Mexico Competitiveness Program, BECC and JMAS.
- Consultants from Mexico Competitiveness Program subcontractor International Resources Group (IRG) submitted preliminary deliverables for two projects to improve the management of urban water utilities: (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 legislative reform is expected to be finalized in the next quarter and will be submitted to the CONAGUA leadership of the incoming administration in early 2013. The diplomado was launched in the beginning of 2012 at UNAM, and five *diplomados* have been offered through September 2012.

Component 4: Clean Energy

Sub-National Energy Projects

- On August 22, the Mexico Competitiveness Program presented three clean energy project studies at a meeting with Hidalgo state and municipal officials. The documents include technical and financial analyses for solar rooftop installations and one business plan for biogas micro-generation at a regional landfill which would benefit four municipalities. The Secretary of the Environment of Veracruz used a technical plan prepared by Competitiveness Program consultants to obtain 7 million pesos from the Federal Government to partially substitute public lighting for LED lamps in the municipality of San Rafael.
- 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 by the Mexico Competitiveness Program (see below). 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 Mexico Competitiveness Program support.

- On August 9, researchers from El Colegio de la Frontera Norte and the Universidad Autónoma de Baja California presented the *Baja California: Energy Profile 2010-2020*, funded by the Mexico Competitiveness Program. The *Profile* is a unique state-level effort designed to include energy planning and monitoring as part of an energy efficiency strategy within the State Development Plan, which must be prepared by every new administration.

Cleantech Challenge Mexico 2012

- From March through September 2012, 128 clean technology businesses/projects received over 100 hours of training as competitors in the Competitiveness Program funded Cleantech Challenge Mexico (CTCM). The 2012 edition of the CTCM contributed to the creation of over 800 jobs, 60 new businesses and 27 patent and intellectual property filings. Concretos Ecológicos de México received the grand prize of 250,000 pesos at the annual awards ceremony on September 27, 2012 for the project "Hidrocreto," a rain water recovery system for concrete floors and pavement.
- Five CTCM competitors were nominated for the 2012 Solar Entrepreneur award, a joint initiative by the National Association of Solar Energy (ANES) and the Energy Efficiency Trust fund (FIDE). The winners, announced on October 3rd, are Frutas Exóticas San Luis (Guerrero), Central Bio-Energética de la Industria Tequilera (Mexico City) and Inventive Power (Jalisco).
- Cleantech Challenge Mexico President Luis Aguirre-Torres was invited to the July 27 White House event "Champions of Change: Connecting the Americas." The event was live-streamed at <http://www.whitehouse.gov/champions/connecting-the-americas/>. The invitation was based on his contribution in promoting a clean technology ecosystem in Mexico, an initiative supported by the USAID Mexico Competitiveness Program for almost three years.

Baja California Wind Energy Supply Chain Initiative

- 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. On May 9 main findings were presented to the Baja California State Energy Commission (BCSEC), which will use report findings 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.
- Mexico Competitiveness Program subcontractor Immelmann delivered its final report on a business development and capacity building road map for the Baja California wind energy supply chain initiative. The report proposed development of three technical courses to promote business opportunities: electricity interconnection, wind farm site selection, and operation and maintenance.

Clean Energy Advocacy and Public Outreach

- On November 7, 2011, Institute of the Americas, a Program subcontractor, hosted the “Clean Energy in the Californias” conference on political and technological realities of clean energy in the California-Baja California region. The forum, which took place in La Jolla, CA, underscored the positive role of clean energy – including cross-border electricity projects – to strengthen competitiveness on both sides of the border. Conference attendees included clean technology companies, energy generation developers, state government policy makers, university faculty and students, and U.S. and Mexican diplomats.
- The USAID Mexico Competitiveness Program-supported Ciudad Juarez Clean Energy Network (REDEER) delivered its final report of activities, including the results of two ongoing projects: design and propose installation features for a sustainable model house (to be built at La Rodadora museum), and a draft pre-feasibility study of clean energy technology deployment for different residential communities. REDEER will transition into an Asociación Civil (the formal status of a non-governmental organization under Mexican law) in a process facilitated by Competitiveness Program subcontractor El Colegio de la Frontera Norte.
- The Competitiveness Program was a main sponsor and contributor to the Border Energy Forum, held October 27-28 2011 in El Paso, Texas. Several Competitiveness Program implementing partners participated in panels, including: Doing Business in Border States, Energy Entrepreneurship, and Municipal Energy Solutions. The Competitiveness Program distributed 150 digital copies of the book *Energías Renovables: Impulso político y tecnológico para un México sustentable*.
- USAID/Mexico was invited to participate in a panel on clean technology start-up financing during the Green Solutions 2011 Expo organized by ProMéxico, the government agency in charge of investment and exports promotion. The presentation highlighted some of the Mexico Competitiveness Program’s work on small and medium enterprise policy research and promoted the Development Innovation Ventures program to an audience of Mexican entrepreneurs and innovators. (November 24, 2011)

SUMMARY OF 4TH QUARTER ACCOMPLISHMENTS

Component 1

- Mexico City's Secretary of Environment Martha Delgado convened a special meeting to personally thank USAID for its support of the City's Environmental Management System (EMS), stating that the system's implementation would not have been possible without support from the Mexico Competitiveness Program (July 17). The Competitiveness Program has already started working with the City to develop an online system to monitor progress in the implementation of the EMS.
- In July the Mexico Competitiveness Program delivered scheduled improvements for the PECC monitoring and reporting system (SIAT-PECC) and further refined the system based on feedback from SEMARNAT. In August the Program completed additional improvements, which were incorporated into SEMARNAT's server in time for the new reporting period, beginning September 2012. The Program also provided technical support during the reporting period to help users take advantage of the new functions.
- The Mexico Competitiveness Program hosted a meeting on efforts to increase federal government capacity to incorporate legal aspects of climate change into public sector operations. The meeting included staff from SEMARNAT, USAID, the Competitiveness Program, MREDD, MLED and the Environmental Law Institute (ELI) which is implementing the activity. The Competitiveness Program will invite MLED and MREDD representatives to a November workshop to launch a bi-national network of lawyers focusing on legal and administrative challenges of meeting climate change commitments (August 29).
- The Mexico Competitiveness Program organized a workshop in Mexico City on financing for local Payment for Environmental Services (PES) mechanisms. The event, which included the National Forestry Commission and major environmental NGOs, was followed by a detailed training event in Guerrero, which explored successful experiences in Mexico and other Latin American countries (September 18).
- In September Mexico Competitiveness Program subcontractor Consejo Civil Mexicano para la Silvicultura Sostenible (CCMSS) presented its final report on the development of a PES mechanism in the Amanalco-Valle de Bravo watershed.
- In September Mexico Competitiveness Program subcontractor The Nature Conservancy (TNC) presented its final report on drivers of deforestation and degradation in the Yucatan Peninsula. The findings of the analysis will be shared with the USAID MREDD program.
- In September, Mexico Competitiveness Program subcontractor SIMO submitted a qualitative analysis of transportation patterns of Mexico City employees. Based on the report, SIMO will design and apply a survey in October to collect information that will inform the development of a program to reduce commutes by City employees.

- On September 9, USAID Mission Director Tom Delaney received a letter from Senator Ninfa Salinas, former President of the Commission on Environment and Natural Resources of Mexico's lower chamber, who acknowledged the Mexico Competitiveness Program's contributions to the development of the recently adopted General Law on Climate Change, particularly the development of provisions on the national GHG registry, inventories and market mechanisms for GHG mitigation.

Component 2

- Through the Mexico Competitiveness Program, USAID provided financial support to CFC by contracting a software development firm through a "reverse auction" that CFC officials designed and managed. The contract is to carry out diagnostic work and training for an information forensic system, which is needed to extract relevant evidence from large quantities of information obtained through the investigative process. It was the first time that CFC utilized a reverse auction process, in which service providers bid through lowering price and/or increasing quality in order to win public sector projects (July 6).
- Mexico Competitiveness Program subcontractor C230 presented research findings and recommendations on a national program to promote employment of at-risk urban young people to the director and staff of the Mexican Youth Institute (IMJUVE). The findings include recommendations for more effective and targeted program operation and beneficiary coverage (August 3).
- In an important follow-up to the Mexico Competitiveness Program's Fondo PyME tracking activity, officials from the Ministry of Economy presented to the Competitiveness Program team significant governance improvements to the Fondo PyME (August 27). Key reforms include greater transparency of funding operations within Intermediary Organizations (IOs), which channel SE funds to SMEs, stricter criteria on the selection and operation of IOs, and a new electronic transparency system that discloses key information about IOs and beneficiaries.
- Competitiveness Program subcontractor Mexican Competitiveness Institute (IMCO) delivered its final report on a model law to prevent bid-rigging in state government procurement. The model law adapts recognized international best practices and was prepared in close consultation with GOM officials and independent legal experts, to ensure applicability within Mexico's federalized system.
- Competitiveness Program subcontractor Paso del Norte Group and four Ciudad Juarez-based universities signed an MOU to establish a network of business incubators in Juarez. The network's purpose is to share effective practices and promote local business development opportunities. The Autonomous University of Ciudad Juarez (UACJ) and the state government each pledged 300,000 pesos (about USD \$46,000), demonstrating how USAID resources helped to leverage external funding and promote the network's sustainability (September 25).

Component 4

- The fourth quarter was the most active period for the Mexico Competitiveness Program-supported Cleantech Challenge Mexico:
 - Competitors presented their market development strategies in the second round of the competition over two days in four separate locations: Mexico City, Guadalajara, Puebla and Monterrey (July 6-7). The Mexico Competitiveness Program's Component 4 (Clean Energy) Lead was invited to serve as a judge of the competition in Mexico City.
 - CTCM competitors received over 12 hours of capacity building training through four workshops: business intelligence, carbon footprint neutralization, operations and efficiency in business operations, and project administration (July 11, 17, 18, 25), and participated in a seminar on corporate social responsibility (July 24). Workshops were accessible to all CTCM participants through a webinar.
 - CTCM organizer Luis Aguirre-Torres was invited to participate in a July 27 White House event: "Champions of Change: Connecting the Americas." The event was live streamed at <http://www.whitehouse.gov/champions/connecting-the-americas/>. The invitation was resulted from Dr. Aguirre's contribution to promoting a clean technology ecosystem in Mexico.
 - Competitors underwent the third (August 4, Puebla) and semi-final (August 29, Mexico City) elimination rounds and received 18 hours of capacity building in three workshops on intellectual property-based business plans (August 4), project evaluation (August 14), and preparing a business plan for investor (August 21).
 - CTCM's eight finalists were announced on September 8. During September competitors received 13 hours of training through workshops
 - On September 27, CTCM announced the winners and closed the 2012 cycle in a major event. The winning firm was Concreto Ecológico de México, which produces a specialized concrete that filters water, accelerating replenishment of aquifers. The keynote speech was given by U.S. Ambassador Earl Anthony Wayne, who congratulated competitors and re-affirmed the U.S. government's commitment to supporting Mexico's climate change mitigation efforts.
- Mexico Competitiveness Program subcontractor Immelmann delivered its final report on a business development and capacity building road map for the Baja California wind energy supply chain initiative. The report proposed development of three technical courses to promote business opportunities: electricity interconnection, wind farm site selection, and operation and maintenance.
- The USAID Mexico Competitiveness Program-supported Ciudad Juarez Clean Energy Network (REDEER) delivered its final report of activities, including the results of two ongoing projects: design and propose installation features for a sustainable model house (to be built at La Rodadora museum), and a feasibility study for clean energy technology deployment for different residential communities.

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

TRAINING AND CAPACITY-BUILDING (JULY – SEPTEMBER 2012)

- From July through September 2012, the Mexico Competitiveness Program held five training events in which 262 people were trained. Of these, 168 were men and 95 were women. See Annex 2 for a list of the events.

GRANTS

Deliverables

- Mexico Competitiveness Program grantee FONCET submitted its first written deliverable for FY2012 in July as part of the third phase of its project on “Integration of a network of organic honey producers from El Triunfo” in El Triunfo Biosphere Reserve, in Chiapas. The report describes production and organizational progress achieved by a group of male organic honey producers, as well as progress achieved by three groups of female producers, including legal certification as a formal producer organization, and training to design and produce higher value-added goods such as soap and candy.
- On September 4, Mexico Competitiveness Program grantee CASFA submitted its first deliverable for FY2012, as part of its sustainable fisheries strategy. The report describes a training workshop on community business organization, business assessment of six fishing communities, workshop materials and the financial report.

Field visits

- No field visits to grantees occurred during this quarter.

CONCLUSION

During the fourth quarter of FY 2012, the Mexico Competitiveness Program had significant achievements in the implementation of governance actions across a range of policy areas. Because the Program was extended and funded through May 2013, we are well positioned to present the proposals, programs and information systems that we have developed over the past year to officials of the incoming presidential administration. We will work closely with USAID and the US Embassy in coordinating the identification of and communication with Mexico's new political and policy leadership.

ANNEX I: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT IN THE FOURTH 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 additional improvements, such as modifications in the way information is saved over time, generation of PDF files, streamlining of validation process and standardization of

user comments.

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, Senator Ninfa Salinas, former President of the Commission on Environment and Natural Resources of Mexico's lower chamber, sent a letter to USAID acknowledging the Mexico Competitiveness Program's contributions to the development of the recently adopted General Law on Climate Change, particularly the development of provisions on the national GHG registry, inventories and market mechanisms for GHG mitigation. In addition, The Mexico Competitiveness Program hosted a meeting on efforts to increase federal government capacity to incorporate legal aspects of climate change into public sector operations. The meeting included staff from SEMARNAT, USAID, the Competitiveness Program, MREDD, MLED and the Environmental Law Institute (ELI) which is implementing the activity. The Competitiveness Program will invite MLED and MREDD representatives to a November workshop to launch a binational network of lawyers focusing on legal and administrative challenges of meeting climate change commitments.

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. During this quarter, Mexico City's Secretary of Environment Martha Delgado convened a special meeting to personally thank USAID for its support of the city's Environmental Management System (EMS), stating that the system's implementation would not have been possible without support from the Mexico Competitiveness Program (July 17). The Program has already started working with the City to develop an online system to monitor progress in the implementation of the EMS.

In September Mexico Competitiveness Program subcontractor SIMO submitted a qualitative analysis of transportation patterns of Mexico City employees. Based on the report, SIMO will design and apply a survey in October to collect information on the transportation behavior of 1,500 employees that will inform the development of a program to reduce commutes by city employees.

Changes in PMP None.

Events

Publications:

PMP Indicators:

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	6	1	3
Activity: Increased functionality for PECC monitoring and reporting System Deliverable(s): Operational website transferred to SEMARNAT	1	1	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
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
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	X	X

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 this quarter, the Mexico Competitiveness Program organized a workshop in Mexico City on financing for local Payment for Environmental Services (PES) mechanisms. The event, which included the National Forestry Commission and major environmental NGOs, was followed by a detailed training event in Guerrero, which explored successful experiences in Mexico and other Latin American countries. During the training event, the Program made a presentation on progress made in elaborating a “live inventory” of existing local PES mechanisms in Mexico, which will help implementers to learn from each others’ experiences.

Also as part of the Program’s support for the development of local PES mechanisms, Program subcontractor Consejo Civil Mexicano para la Silvicultura Sostenible (CCMSS) presented its final report on the development of a PES mechanism in the Amanalco-Valle de Bravo watershed. CCMSS’s work includes a robust Monitoring and Evaluation tool, already being used in the watershed, as well as the annual work plans of two communities who have already adopted improved land management practices.

The Program completed the draft final report on the competitiveness of community forestry enterprises in Mexico, including case studies from Chihuahua, Durango,

Michoacán, Quintana Roo and Oaxaca. The report will be edited prior to its dissemination.

As part of Program’s (MCP) support to generate sustainable practices to protect ecosystems and improve rural livelihoods, the following grantees started activities:

- Centro de Agroecología San Francisco de Asís A. C. (CASFA) organized a training workshop on community business organization and a business assessment applied to six fishing communities. as part of the third phase of the sustainable fisheries strategy in the Encrucijada Biosphere Reserve, Chiapas. This phase of the strategy is focused on strengthening governance among fishing communities, both through training and the adoption of an agreement on best practices by community members.
- Fondo de Conservación el Triunfo (FONCET) organized a training workshop to identify production and organizational progress achieved by a group of male organic honey producers, as well as progress achieved by three groups of female producers, including legal certification as a formal producer organization, and training to design and produce higher value-added goods such as soap and candy. These activities are part of the third phase of the USAID-funded strategy to the “Integration of a network of organic honey producers from El Triunfo” in El Triunfo Biosphere Reserve, in Chiapas.

Changes in PMP

--

Events

- None.

Publications:

- None.

PMP Indicators

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	3		2
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	1	1

<p>Activity: Competitiveness analysis of 10 forestry enterprises.</p> <p>Deliverable(s): Draft report with recommendations to enhance competitiveness of forestry enterprises, including 10 case studies</p>	1	1	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. During this quarter, Program subcontractor The Nature Conservancy (TNC) presented its final report on drivers of deforestation and degradation in the Yucatan Peninsula. The findings of the analysis will be shared with the USAID MREDD program, which is run by The Nature Conservancy as well.

Changes in PMP

Events

- None.

Publications:

- None.

PMP Indicators

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	4	2	4
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
Activity: U'yolchee carbon capture in Ejido Felipe Carrillo Puerto. Deliverable(s): Third party approval of technical specifications for carbon capture, replication of methodologies in the Calakmul – Sian- Kaan corridor	1		1
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	1	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	1	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

Follow-up to Fondo PyME tracking activity

In an important follow-up to the Mexico Competitiveness Program’s Fondo PyME tracking activity, which ended over a year ago, officials from the Ministry of Economy (SE) made a closed-door presentation on governance improvements to the fund (August 27). The main presentation was made by SE’s *Oficial Mayor*, who is responsible for resource allocation rules throughout the ministry. Key reforms include greater transparency of funding operations within Intermediary Organizations (IOs), which channel SE funds to SMEs, stricter criteria on the selection and operation of IOs, and a new electronic transparency system that discloses key information about IOs and beneficiaries. The Subsecretary of Competitiveness indicated that SE plans to use its own

resources to adapt the online tracking system, which was developed with USAID resources, for state and local government resource monitoring. The *Oficial Mayor* expressed the ministry's gratitude for USAID support and acknowledged that the Mexico Competitiveness Program's Fondo PyME activity had been a major catalyst for the internal reforms. [SE has requested that it be involved in any public disclosure about the reforms in question.

Incubation network in border region

On September, representatives from Competitiveness Program subcontractor Paso del Norte Group, the Chihuahua state government, the Universidad Autonoma de Ciudad Juarez (UACJ), the Instituto Tecnologico de Ciudad Juarez, the Universidad Tecnologica de Ciudad Juarez and the Instituto Tecnologico y de Estudios Superiores de Monterrey signed a memorandum of understanding to formally establish a network of business incubators in Ciudad Juarez. The network's purpose is to share effective practices and promote local business development opportunities. UACJ and the state government each pledged 300,000 pesos (a total of about USD \$46,000). The amount is similar to the level of USAID support during the past year, and demonstrates how the Mexico Competitiveness Program helped leverage external funding and promote the network's sustainability.

Youth Employment Program in Mexico

The head of Peña Nieto's transition team focusing on youth issues requested a presentation, which was made on October 3, 2012. The presentation focused on research findings and recommendations for the creation of a new national program focused on youth people. The transition team official requested USAID assistance in developing a proposal for a pilot test program that will be submitted to Congress in order to apply federal resources in five cities in 2013.

Changes in PMP

None

Events

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

Publications:

- None.

PMP Indicators:

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	3	0	1
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	0	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

Competitiveness Program subcontractor Mexican Competitiveness Institute (IMCO) delivered its final report on a model law to prevent bid rigging in state government procurement. The model law adapts recognized international best practice and was prepared in close consultation with GOM officials and independent legal experts, to

ensure applicability within Mexico's federalized system. Final modifications incorporated comments provided by representatives from the Ministry of Public Administration (SFP), Federal Competition Commission (CFC), Ministry of Economy (SE), the Organization for Economic Cooperation and Development (OECD), and the state of Zacatecas. Participants expressed strong agreement on the usefulness of the model law and the need to share it with state governments and the incoming presidential administration.

In a formal ceremony held in Monterrey on October 2, the Governor of Nuevo Leon signed a *convenio* with IMCO and the OECD, making a commitment to seek adoption of the law in Mexico's most important industrial state.

Technical assistance to CFC

The Mexico Competitiveness Program gave 34 copies of the book *Derecho y Economía de la Competencia* to the Federal Competition Commission (CFC), which requested them for internal use. As a result of the recent amendment to the country's competition law, CFC is increasing the number of investigative personnel on staff. The book, a highly regarded reference source about US competition law, was translated into English with USAID funds. CFC has requested copies to strengthen the analytical capacity of new personnel, especially lawyers.

On July 6, USAID representatives and Mexico Competitiveness Program staff were invited by CFC to observe a reverse auction to contract services to carry out diagnostic work and training for an information forensic system focused on competition. CFC seeks to develop state-of-the-art information analysis capacity to carry out its investigative functions effectively. In particular, the Commission lacks experience in extracting relevant evidence from large quantities of information obtained through the investigative process (e.g., documents and e-mails stored on computer disk drives). This is the first time that CFC has utilized a reverse auction process, in which service providers bid through lowering price and/or increasing quality in order to win public sector projects. USAID Regional Contracts Office expressed that the reverse auction fulfills USAID's competitive bidding requirements. Based on bids submitted, CFC selected the software firm Pink Elephant, which Abt Associates hired in September.

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 Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	3	2	3
Activity: IMCO Model Law on bid rigging Deliverable(s): Model law draft	1	1	1
Activity: E-Government for CFC Deliverable(s): (1) Hacking diagnostic; (2) Electronic notification system	1	1	1
Activity: Aviation sector research Deliverable: Policy recommendations to increase competition in aviation industry and airport services	1	0	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

- The Mexico Competitiveness Program collaborated with the Border Environment Cooperation Commission (BECC) to support the development of a *Plan Maestro de Agua y Sanamiento* (Water and Sanitation Master Plan) for the Ciudad Juarez water utility. Principal stakeholder included USAID and BECC (the funders), 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. USAID’s contribution to the master plan focuses on Mexico Competitiveness Program priorities, including energy efficiency, options for investing in renewable energy, and water re-use. Preliminary reports and recommendations were delivered in the Fourth Quarter and are currently under review by staff from the Mexico Competitiveness Program, BECC and JMAS.
- Consultants from Mexico Competitiveness Program subcontractor International Resources Group (IRG) submitted preliminary deliverables for two projects to

improve the management of urban water utilities: (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. The diplomado was launched in DATE at UNAM. The legislative proposal will be submitted to the CONAGUA leadership of the incoming administration in early 2013.

Changes in PMP

--

Events

- None

Publications:

- None

PMP Indicators:

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	3	2	2
Activity: Content of technical course for ANEAS/Utility workers Deliverable: Course content (diplomado)	1	1	1
Activity: Inputs to modify water laws (rights to water.). Deliverable(s) <ul style="list-style-type: none"> • Recommendations and modifications to the law • Assessment of water operators' competitiveness • Management strategy 	1	1	1
Activity: Strategic support for Ciudad Juarez water utility master plan Deliverable: Draft needs assessment and strategic plan	1	0	0

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

Municipal Energy Projects

On August 22, the USAID/Mexico Competitiveness Program presented results from three clean energy project studies at a meeting with Hidalgo state and municipal officials. The documents include technical and financial analyses for solar rooftop installations and one business plan for biogas generation at a regional landfill, which is planned to benefit four municipalities. The proposed biogas project would utilize micro turbines and could add generation capacity of up to 100kW. The meeting was convened by the State Energy Efficiency Commission and attended by the state Secretary of Environment and representatives from five municipalities. The Hidalgo state government is pursuing the construction of several regional landfills, and earlier this month organized a study tour for its officials to visit and observe successful municipal landfill projects in the state of Jalisco. The Secretary of Environment affirmed the interest of the current administration to use the biogas from the proposed landfills for electricity generation for municipal

services. The project has both technical and policy implications. Mexico is already a leader in large scale multi megawatt biogas generation projects in large urban areas, such as Monterrey and Ciudad Juárez. However, the technology for micro turbine (30 to 200 kW) biogas generation of electricity generation has yet to prove its economic viability in Mexico. The proposed Hidalgo project demonstrates tangible benefits and economic feasibility of such small scale generation projects. A successful small-scale project could help point the way toward harnessing the estimated 165 MW potential from municipal solid waste in small landfills across the country, which would otherwise be wasted through flaring under current landfill management regulations. T

The Secretary of the Environment of Veracruz used a technical plan prepared by Program consultants to obtain 7 million pesos from the Federal Government to partially substitute public lighting for LED lamps in the municipality of San Rafael.

The Program is currently pursuing a potential technical assistance to the municipality of La Paz, Baja California Sur in collaboration with the Inter-American Development Bank.

Cleantech Challenge Mexico 2012

On July 6-7, competitors of the USAID-supported Cleantech Challenge Mexico 2012 (CTCM) participated in the second elimination round in four locations throughout the country: Mexico City, Guadalajara, Puebla and Monterrey. The winners of the second round were announced at a networking breakfast held on July 10. The tournament gives competitors a second opportunity to reach the finals through a “lower bracket” round, which began on July 20. During the month of July, CTCM competitors received over 12 hours of capacity building in four workshops: business intelligence (July 11), carbon footprint and neutralization (July 17), operations and efficiency in business operations (July 18), and project administration (July 25). They also participated in a seminar on corporate social responsibility (July 24).

CTCM President Luis Aguirre-Torres was invited to the July 27 White House event “Champions of Change: Connecting the Americas” (center of attached photo). The event was live-streamed at <http://www.whitehouse.gov/champions/connecting-the-americas/>. The invitation was based on his contribution in promoting a clean technology ecosystem in Mexico, an initiative supported by the USAID/Mexico Competitiveness program for almost three years.

During the month of August, competitors of the CTCM participated in the third (August 4 in Puebla) and semi-final (August 29 in Mexico City) elimination rounds. During this phase, competitors received expert mentoring to improve their business model. For the third round, projects were judged on operations (processes, supply chain, project planning), organization (work environment, recruitment, organizational chart) and sustainability (value chain, carbon footprint, resource management). The jury panel for the semi-final round was composed of financial experts and investors and the 16

remaining competitors are required to present their financial projections. The eight finalists were announced on September 4 (<http://www.cleantechchallenge.org/resultados/index.php?id=11>) to compete in the grand finale, making presentations to risk capital investors. CTCM competitors received about 18 hours of capacity building in three workshops on intellectual property-based business plans (August 4), investment project evaluation (August 14), and preparing a business plan for investors (August 21).

During the month of September, competitors received over 16 hours of training in two workshops on information technologies (September 5), and business intelligence (September 6) and two seminar on social media and networks (September 11) and branding (September 12).

On September 27, the USAID-supported Cleantech Challenge Mexico (CTCM) held the awards ceremony and official closure for the 2012 cycle. The winning project, Hidrocreto, is a specialized concrete that filters water, thereby accelerating the replenishment of aquifers. The firm, Concreto Ecológico de México, received a 250,000 peso prize, a full scholarship at the Universidad del Medio Ambiente, and most importantly extensive press coverage and recognition by prospective investors. U.S. Ambassador Earl Anthony Wayne, in the keynote speech, congratulated competitors for their vision in identifying business opportunities and leading a movement that can foster a green economy for truly sustainable development and growth, and re-affirmed the U.S. government's commitment to supporting Mexico's climate change mitigation efforts and a low emissions growth path. The awards ceremony concluded a six month competition in which 128 participants received over 100 hours of training. The 2012 edition of the CTCM contributed to the creation of over 800 jobs, 60 new businesses and 27 patent and intellectual property filings. Approximately 300 entrepreneurs, government officials, academics, private sector representatives and investors attended the ceremony.

Subnational Energy Governance

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.

On August 9, researchers from El Colegio de la Frontera Norte and the Universidad Autónoma de Baja California presented the USAID-funded *Baja California: Energy Profile 2010-2020* at a forum on "Energy Sustainability in Baja California." The *Profile* defines a

series of social, economic and environmental indicators to support state government in policy planning and development. The *Profile* is a unique state-level effort that was created to include energy planning and monitoring for the creation of an energy efficiency strategy as part of the State Development Plan, which must be prepared by every new administration. The document is expected to promote the interests of the state vis-à-vis federal authorities, as it lays out a policy and investment agenda that was prepared by technical experts and validated by local civil society organizations, academic institutions and elected political leaders. During the forum, local congressman Máximo García presented recently signed laws and reforms that give greater attributes to the State Energy Commission.

Baja California Wind Energy Supply Chain Initiative

On September, subcontractor Immelmann delivered its final report on a business development and capacity building road map for the Baja California wind energy supply chain initiative. The report proposed development of three technical courses to promote business opportunities: electricity interconnection, wind farm site selection, and operation and maintenance.

Ciudad Juárez Clean Energy Network

The USAID Mexico Competitiveness Program-supported Ciudad Juarez Clean Energy Network (REDEER) delivered its final report of activities, including the results of two ongoing projects: design and propose installation features for a sustainable model house (to be built at La Rodadora museum), and a draft pre-feasibility study of clean energy technology deployment for different residential communities.

REDEER will transition into an *Asociación Civil* (the formal status of a non-governmental organization under Mexican law) in a process facilitated by subcontractor El Colegio de la Frontera Norte. On August 25, members of the Network met for the second time to conduct a strategic planning exercise. The charter will be signed in October by the founding members.

Changes in PMP

None.

Events

- “Sustentabilidad Energética: Presente y Futuro para Baja California.” August 9. Tijuana, Baja California.
- “Planes de negocio para el uso de energías renovables en municipios y dependencias del gobierno de estado de Hidalgo.” August 22. Pachuca, Hidalgo.

- “Cena de clausura y premiación del Cleantech Challenge México.” Septemebr 27. Mexico City.

Publications:

- Meléndez, GM *et al* (2012), *Baja California: Perfil Energético 2010-2020. Propuesta y Análisis de Indicadores Energéticos para el Desarrollo de Prospectivas Estatales*, USAID-CEEBC.

PMP Indicators:

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	5		3
Activity: Local government energy projects Deliverable(s): PPP website on muni and state energy projects	1	0	0
Activity: Baja California Energy Profile Deliverable(s): Report on 2010-2020 scenarios	1		1
Activity: Energy Strategy for Subnational Government Deliverable(s): Recommendations for energy activities and investments at state and local levels.	1	1	1
Activity: Renewable Energy Value Chains Program in Baja California Deliverable(s): Diagnostics of metal-mechanic sector and business to supply wind energy OEMs	1		1
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

The Energy Efficiency Trust Fund (FIDE) published on its website an energy efficiency calculator (<http://fide.mx:2000/sade>) for small and medium enterprises developed with Program support as part of technical assistance to NAFIN (Mexico’s most important development bank) alongside a document describing different technologies and their efficiency parameters: http://www.fide.org.mx/index.php?option=com_content&view=article&id=285&Itemid=285

Changes in PMP: None

Events: None

Publications: Calculadora de ahorro de energía eléctrica para MiPymes.
(<http://fide.mx:2000/sade>)

PMP Indicators

	Target FY2012	Achieved Q4	Cumulative FY 2012
USAID Indicator: Number of policies, regulations, administrative procedures proposed or adopted.	1	1	1
Activity: Cost/efficiency calculator for energy efficient equipment for NAFIN’s credit program Deliverable: Operational website/calculator	1	1	1

ANNEX 2: TRAINING

DATES		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
FROM	TO					
August 1, 2012	August 2, 2012	Ranchería "La Palma", Acapetahua, Chiapas	Training workshop on community business organization	39	24	15
August 9, 2012	August 9, 2012	Tijuana, Baja California	Energy Sustainability: Present and Future for Baja California	61	45	16
August 22, 2012	August 22, 2012	Pachuca, Hidalgo	Renewable Energy Business Plans for State and Municipal Governments in Hidalgo	11	3	8
Sept 18, 2012	Sept 18, 2012	México, D.F.	National Encounter on Local Payment for Environmental Services Mechanisms	100	60	40
Sep 19, 2012	Sept 21, 2012	San Pedro & San Felipe Chichila, Guerrero.	Second Capacity Building Clinic: Design and Use of Financial Instruments for Payment for Environmental Services (PES)	51	34	17
TOTAL				262	168	95