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OVERVIEW OF PROGRAM

The USAID/Mexico Economic Policy Program (MEPP) began operations in May 2013. Its mission is to improve Mexican private sector productivity and competitiveness by supporting Mexico's efforts to strengthen public sector economic governance. MEPP seeks to improve governance through: (1) Policy change: laws, regulations, program rules and design, and transparency; and (2) Organizational capacity-building: promoting best practices in operating procedures and information access, and human capital development.

The Mexico Economic Policy Program promotes six over-arching policy outcomes. On one hand, economic outcomes depend on numerous exogenous factors that foreign technical assistance cannot change. On the other hand, key Mexican institutions have a major impact on those outcomes, and can themselves be strengthened by carrying out reforms assisted by technical assistance. In this regard, MEPP promotes the implementation of substantive reforms and improved practices within the governmental institutions and organizations that have the most direct impact on achievement of the following economic outcomes.

Outcome 1: Government funds promote private sector development and productivity. MEPP supports reform of rules and regulations that govern public sector spending programs, especially those that promote business start-up, growth and innovation, to improve transparency and effectiveness of government investments.

Outcome 2: Businesses face fewer obstacles to growth. MEPP produces specific proposals that make regulations affecting business start-up and operation more transparent and less costly. Proposals will focus on governance change at the national, state, and municipal level.

Outcome 3: Competition is improved. MEPP supports public sector actions that level the playing field in a given market. Our work strengthens regulations and institutional capacity to improve the accountability of corporations that possess the capacity to engage in rent-seeking behavior, and to reduce barriers to entry for new competitors, especially in markets in which collusion is common.

Outcome 4: SMEs have greater access to private capital. MEPP produces proposals to modify rules and regulations of key financial sector institutions to improve the incentives and ability of small and medium-sized enterprises to attract private investment.

Outcome 5: Business transactions are more efficient and reliable. MEPP proposals seek to modify regulations and judicial processes that impose costs on businesses that are pursuing larger economic transactions, as well as those trying to resolve claims and disputes with other firms or organizations. The reforms will increase the transparency and reliability of government institutions, while reducing the time and expenditure required to undertake business transactions.

Outcome 6: Citizens have greater access to public information. MEPP works with the Office of the Presidency to develop and launch mobile applications that increase the quality and quantity of governmental information available to individuals, NGOs and the private sector. Creation of mobile apps supports the federal government's commitment to improve public sector transparency and transactions between government agencies and citizens.

LIST OF ABBREVIATIONS

AMSDE	Mexican Association of State Government Development Secretaries
BANCOMEXT	Mexican Export Bank
BANXICO	Mexican Central Bank
BMV	Bolsa Mexicana de Valores (Mexican stock market)
CFCE	Federal Economic Competition Commission
CIDAC	Center of Research for Development
CIDE	Center for Research and Teaching in Economics
COFEMER	Federal Commission for Regulatory Improvement
CNA	National Water Commission
CNBV	National Securities and Banking Commission
CONACYT	National Science and Technology Council
CONAFOR	National Forestry Commission of Mexico
COP	Chief of Party
COR	Contracting Office Representative
CRE	Energy Regulatory Commission
EPU	Economic Productivity Unit (Ministry of Finance)
FAA	Foreign Assistance Act (United States)
FLACSO	Latin American School of Social Sciences
FONDESOC	Social Development Fund (of Mexico City)
FY	Fiscal Year
GDF	Gobierno del Distrito Federal (Mexico City government)
GDP	Gross Domestic Product
GoM	Government of Mexico
IDB	Inter-American Development Bank
IFECOM	Federal Institute of Bankruptcy Specialists
IFT	Federal Telecommunications Institute
IMCO	Mexican Institute for Competitiveness
IMPI	Mexican Institute for Industrial Property
INADEM	National Entrepreneurship Institute
INECC	National Institute of Ecology and Climate Change
INEGI	National Institute of Statistics and Geography
ITAM	National Autonomous Technological Institute
MFI	Microfinance Institution
NAFIN	Nacional Financiera (Mexican national development bank)
NGO	Non-Governmental Organization
NOM	Official Mexican Standard
PEI	Innovation Stimulus Program (under CONACYT)
PMP	Performance Monitoring Plan
PROMEXICO	Investment and Export Promotion Agency
RUG	Registro Unico de Garantias Mobiliarias (Non-real estate guarantee registry)
SAGARPA	Ministry of Agriculture, Cattle, Rural Development and Fisheries
SBA	Small Business Administration (United States)
SE	Ministry of Economy
SEDECO	State Development Secretary

SEDESOL	Ministry of Social Development
SEMARNAT	Ministry of Environment and Natural Resources
SENER	Ministry of Energy
SFP	Secretaría de la Función Pública (Ministry of Public Administration)
SHCP	Ministry of Finance
SME	Small and Medium Enterprise
SRE	Ministry of Foreign Affairs
UAM	Metropolitan Autonomous University
UNAM	National Autonomous University of Mexico
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
WB	World Bank
WEF	World Economic Forum

A. TECHNICAL PROGRESS TOWARD POLICY OUTCOMES

The First Quarter of FY 2014 began five months after the mobilization date of the Mexico Economic Policy Program. The period October – December 2013 saw significant progress across the Program’s policy areas. In order to present a coherent narrative, this section presents technical progress and governance achievements in terms of each of the six policy outcomes established under the MEPP work plan, which was approved at the end of September 2013. Wherever relevant, this section will also address implementation issues that could affect policy impact. Descriptions of all final deliverables received during the quarter are provided in **Annex 2**.

1. Government funds promote private sector development and productivity

Developing selection criteria for commercial viability of innovative firms

In October and November, MEPP carried out secondary research on United States government organizations that use Small Business Innovation Research (SBIR) funds, which are allocated to different federal organizations through the U.S. Small Business Administration. The SBIR program is considered an international best practice in governmental promotion of private sector innovation. MEPP’s research is part of technical assistance to strengthen CONACYT’s Innovation Stimulus Program (PEI). MEPP selected four U.S. institutions: the Department of Energy (DOE), the Department of Agriculture (DOA), the Department of Health and Human Services (DHHS), and the National Science Foundation (NSF). Our team identified SBIR program managers at each organization and sent them interview requests and questionnaires. In addition, we carried out phone interviews to gather information about the criteria managers use to allocate government funds to projects funded through SBIR. The surveys and interviews helped define the profile for a project reviewer capable of evaluating commercial viability and determine relevant indicators that reviewers would use to assess commercial potential.

On December 17, MEPP team members met with Luis Torreblanca, CONACYT Deputy Director of Technological Development and Innovation, to present the final deliverable on selection criteria for PEI applications. A key part of the presentation focused on differences between the PEI and SBIR. The final report is entitled “*Evaluación del mérito de negocio en el Programa de Estímulos a la Innovación.*” Its principal objective is to incorporate the assessment of commercial viability into project evaluation, which currently focuses primarily on technical and scientific aspects. Main findings and conclusions include the following: the need to create indicators measuring commercial potential, refinement of profiles (capacities and experience) of project evaluators, and strengthening of the evaluation process itself, especially increasing in-person or virtual meetings between evaluators (with both technical and commercial profiles) of projects seeking higher levels of financial support. Mr. Torreblanca found the conclusions extremely helpful in advancing CONACYT’s strategic goal to make PEI more effective in transforming technological innovations into commercial successes. The short-term impact of

MEPP technical assistance may involve modification of formal PEI rules of operation. Future MEPP support is likely to include a pilot that makes commercial assessment central in PEI project evaluation. Longer term technical assistance may focus on capacity building for CONACYT evaluators themselves.

Supporting high impact entrepreneurship in Mexico City

As part of our technical assistance to help the Mexico City Secretariat for Economic Development (SEDECO) transform its social development fund (FONDESOS) into a mechanism to support high impact entrepreneurs, the MEPP team analyzed results from stakeholder interviews regarding FONDESOS problems and their underlying causes. A key finding is that design deficiencies lead to adverse selection of beneficiaries, resulting in a high non-performing loan rate (46 percent). If continued, the default rate would render the program financially unsustainable within ten years, as FONDESOS would retain only ten percent of its current lending capital. In addition, operational inefficiencies and the use of FONDESOS as a stopgap emergency fund undermined the program's effectiveness.

On October 22, SEDECO and MEPP staff agreed to focus USAID technical assistance on the following strategic actions: Re-designing the SME credit program through a new segmentation mechanism; changing the brand and the language of the city's Microcredit Program to clarify its focus on emergency assistance (as opposed to regular business development); creating a coordinated publicity campaign to clarify the new objectives, processes and requirements of FONDESOS; and incorporating new credit, subsidy and venture capital products.

During November, MEPP organized and led three workshops with FONDESOS staff, each of which included a focus group element to generate dialogue and obtain feedback from key organizational stakeholders. The main goal was to propose and validate the recommendations described above. The first workshop (October 31), which included FONDESOS managers, assessed the operational feasibility of the proposed mechanisms and gathered opinions on how to implement them effectively. The second workshop (November 6), which included microfinance experts, was dedicated to proposing reforms for FONDESOS's microcredit and SME credit programs. The third workshop (November 7) identified risks and benefits of proposed programs to foster high impact entrepreneurship in Mexico City. Feedback from the workshops, which was discussed with FONDESOS's Director, was incorporated into proposals for the Fund's reforms and re-design. The Director will present final recommendations for FONDESOS's Technical Committee obtain authorization to implement reforms.

Finally, the SEDECO requested MEPP technical assistance to develop an algorithm to ensure objective and systematic selection of beneficiaries for the SME and microcredit fund. The algorithm will be designed and evaluated based on databases from previous applicants and their payment history. The new selection process will allow SEDECO to avoid discretionary decision-making.

Evaluating the impact of INADEM Programs

In order to measure and continuously improve the impact of INADEM programs supporting SMEs, MEPP provides technical assistance to develop a rigorous evaluation methodology. INADEM allocates subsidies through 29 sub-programs (*convocatorias*) targeting different SME beneficiary groups. During an October 22 meeting that included INADEM President Enrique Jacob, the institute's leadership proposed several sub-programs that would be subject to an impact evaluation design, including microenterprise technology, incubators and accelerators, export assistance and capital funds. However, through subsequent research the MEPP team learned that INADEM lacked data about key variables needed to conduct an impact evaluation. As a result, INADEM requested additional technical assistance from MEPP to conduct an informational diagnostic of the 29 sub-programs. The findings will enable INADEM and MEPP to select the most appropriate sub-programs to pilot the new impact evaluation design.

On November 13, MEPP staff met again with Mr. Jacob, who stated his intention to improve the process used to select projects that receive subsidies from Fondo PyME and requested MEPP technical assistance to focus on: (1) **Pre-selection process**, in order to give State governments and organizations more weight in the project pre-selection process; (2) **Standardization of criteria among state evaluators**. Currently, state evaluators pre-select projects using inconsistent criteria. It is necessary to standardize selection criteria to level the playing field for potential beneficiaries of the nationwide fund; (3) **Organization of a nationwide contest** for innovative public policy programs for entrepreneurs, with the aim of creating greater incentives for state governments to design and develop public programs focused on entrepreneurs. If USAID and MEPP decide to support these activities, the technical assistance would complement the current efforts to design an impact assessment of INADEM's SME support programs.

Promoting productivity in public sector programs

During October, MEPP continued working with officials from the SHCP Economic Productivity Unit (EPU) to develop the questionnaire that will be applied to federal economic development programs. MEPP contributed to the improvement of the questionnaire's clarity and effectiveness by piloting the evaluation mechanism at the National Entrepreneurship Institute (INADEM). The questionnaire consists of about forty questions divided into five topics directly related to the federal Democratization of Productivity (PDP) Program: (1) promoting efficient use of production resources; (2) strengthening business environment in which enterprises operate; (3) generating conditions that increase the productivity of workers, enterprises and production units; (4) establishing regional and sectorial programs that increase productivity in all regions and sectors of the economy; and (5) fostering democratization of productivity. During November, MEPP made further adjustments to the SHCP questionnaire and made progress on four deliverables: (1) New version of the questionnaire of evaluation; (2) Report on findings collected from the pilot phase; (3) Review of international experiences related to performance-based budgeting frameworks; and (4) Training materials (two handbooks) on the implementation and use of the evaluation mechanism. MEPP technical assistance has enabled

the EPU not only to refine its principal evaluation mechanism, but also to link responses to SHCP recommendations to align government organizations to PDP goals.

2. Businesses face fewer obstacles to growth

Streamlining municipal procedures affecting business operations (Rapid start-up pilots)

In November MEPP began work on the first phase of the project “*Empresa al Instante*” (rapid start-up), technical assistance that assesses the feasibility of and proposes a mechanism that enables startup companies to begin operations before completing all governmental documentation and registration procedures. The goal is to accelerate the creation of new businesses in Mexico. As part of the first phase, MEPP team members conducted research and analysis on current procedures required to open a business in Mexico City, drawing on information from the Ministry of Economy, the national statistics agency (INEGI), the Mexican Social Security Institute (IMSS), the Federal Regulatory Improvement Commission (COFEMER), the Public Property and Commerce Registry, the Mexican Business Information System (SIEM), as well as international institutions such as the World Bank and OECD. Also, some interviews were undertaken with key personnel of previously mentioned institutions.

The MEPP team worked on the second phase of the project in November and December. Activities focused on the design and implementation of the proposed operational model for a rapid startup mechanism. Work included (1) creation of the conceptual model for the pre-license mechanism; (2) a feasibility assessment of the pre-license process; and (3) specification of requirements for businesses seeking to start up under the accelerated process. Proposals for design and implementation were informed by an assessment of different operational scenarios. Legal experts working on the MEPP team conducted an analysis of regulations that would need to be changed in order to launch the rapid start-up mechanism and make it operationally viable. Throughout the process, MEPP team members have worked closely with officials from the Digital Government Unit of the Ministry of Public Administration (SFP) to assess different legal scenarios and identify regulatory changes required for effective implementation of *Empresa al Instante* at the local government level.

Obstacles to high impact entrepreneurship

As part of our effort to improve the understanding of factors that foster innovation, on November 29, MEPP sponsored the launch of the National Index of Entrepreneurial Innovation (INIE). The index was developed by the NGO Venture Institute with financial support from CONACYT. It proposes a methodology to identify and measure innovative entrepreneurial activity and locates innovative business linkages throughout the country. While much of MEPP’s own research efforts focus on obstacles to high impact entrepreneurship, the INIE provides useful insights about how the public sector contributes to innovative activity in specific locations. MEPP expects to use the INIE methodology and findings to propose the adoption or

replication of effective policies within government programs that promote innovation, such as those at INADEM and CONACYT. The launch of the INIE took place in the Museo Interactivo de Economía. The main presentation addressed indicators and measurement of innovation, and included rankings of cities and metropolitan areas. A panel discussion of innovation experts focused on the role of government in fostering innovation, the challenge of increasing private sector investment in R&D, and the strategic impact the index could have on the design and implementation of public policies. The index is available at <http://index.institute.vc/index.html>

3. Competition is improved

Strengthening the institutional capacity of the Federal Economic Competition Commission

In October, the Chief of Staff of the Federal Economic Competition Commission (COFECE) requested technical assistance to develop a Strategic Plan for the next four years (current President's term). MEPP support would consist of organizational research, stakeholder interviews and workshops. In late November, MEPP technical assistance consisted of in-person interviews with Mexican economic competition stakeholders, including former Commissioners, journalists, legislators, and judges. MEPP supported two planning workshops: the first with Commissioners, the Executive Secretary, and chief of the Planning Unit; and the second with the Executive Secretary, chief of the Planning Unit, and General Directors. The purpose of these workshops was to exchange opinions and establish a common vision, mission and objectives to be achieved during the next four years. The Strategic Plan is expected to be a central pillar of COFECE governance, as it will determine medium term priorities (and related human and financial resource allocation), institutional goals and related indicators. It will also define the roles of COFECE officials in terms of statutory responsibilities.

On December 11, MEPP staff met with a British Embassy staffer to explore the possibility of using MEPP resources to share the cost of a financial sector evaluation focusing on brokerage services, securities and corporate credit. The evaluation is part of the financial sector reform requirement described above. The UK embassy has already selected a qualified organization to carry out part of the work, but does not have sufficient resources to cover the cost of the entire evaluation. Accordingly, the UK embassy and CFCE leadership formally requested USAID/MEPP support to cover the remaining cost. MEPP is currently developing the scope of work and will request USAID authorization to contract the organization in January 2014.

Regulating Digital Government

On November 25, President Peña Nieto formally launched the National Digital Strategy at a ceremony in the National Anthropology Museum. The strategy will guide federal government actions to improve Mexican living standards through better access to information technology in general, and public sector information in particular. It also informs MEPP efforts to support the

GOM in its efforts to develop and enhance IT tools in areas such as e-commerce, open data, transparency and citizen participation in government decisions. Peña Nieto described five overall objectives of the digital government agenda. The first two – government transformation (citizen access) and digital economy – are directly relevant to MEPP’s public policy agenda.

In its efforts to achieve these objectives, Presidencia is seeking to carry out regulatory reforms that enable SMEs to participate more equitably in bids for government contracts for informational technology services. Such contracts are typically awarded to large companies because of rigidities within the federal procurement law. MEPP plans to provide technical assistance to identify opportunities for greater flexibility in public sector procurement and generate concrete proposals for regulatory and legislative reforms that enable SMEs to compete more effectively in government contracts for innovative or technological goods and services. In December, MEPP held meetings with Presidencia’s Digital Innovation General Directorate to determine the focus and scope of this potential collaboration. MEPP staff will present a recommendation for technical assistance to the USAID COR in January.

Compliance assessment for technical standards

The Ministry of Economy’s General Directorate on Standards (DGN) refined its request for MEPP technical assistance, which will focus on the degree to which businesses (and related products) comply with official technical standards (*Normas Oficiales Mexicanas* -- NOMs). The goal is to improve competition by ensuring that all firms subject to NOMs play on a level playing field by complying with those standards. On October 31, MEPP staff and General Director of Standards Alberto Esteban held a meeting to define the goals the DGN seeks to achieve with MEPP assistance: (1) develop an intelligence system to facilitate the compliance assessment process, (2) improve the current legal framework for standards, and (3) propose mechanisms to homogenize certain national standards with international standards.

On December 19, MEPP staff met again with Mr. Esteban to review a proposed scope of work to carry out an assessment of Mexico’s process for ensuring private sector compliance with technical standards (*evaluación de conformidad*). The scope of work, which will be carried out with MEPP resources, specifies the institutional need for the assessment, deliverables and a basic methodology for gathering information. In addition to analytical findings about strengths and weaknesses of the current compliance process, key deliverables will include proposals to reform the legal framework for enforcement of technical standards, strengthen the administrative process of monitoring and enforcement (*vigilancia*), and improve reciprocity of standards with Mexico’s major trading partners.

4. SMEs have greater access to private capital

Reducing barriers to entry in the Mexican stock market

On November 6, MEPP staff met with the Chief of Staff of the National Banking and Securities Commission (CNBV) to present the work plan for USAID technical assistance to promote the participation of SMEs in Mexico's stock market. The aim of the technical assistance is to identify the main reasons why the stock market in Mexico is under-developed. These reasons will be divided into two categories: market-related and regulatory-related reasons. The next step will be to elaborate on the regulatory reasons and how they can be fixed in order to create incentives resulting in a more robust stock market. The Chief of Staff endorsed the work plan and expressed interest in three additional aspects: (1) consideration of new taxes, recently approved by Mexico's congress; (2) analysis of the profile of individuals with investments in the stock market; and (3) a methodology for identifying companies with the potential to be publicly listed and provision of an estimated number of such companies. This activity is expected to begin during January 2014.

5. Business transactions are more efficient and reliable

Improving the system for secured transactions

On November 5, MEPP staff met with the Ministry of Economy General Director of Commercial Regulation to present the work plan for technical assistance to strengthen the system of secured transactions in Mexico. MEPP will focus on the operational effectiveness and judicial application of Mexico's "Unique Guarantee Registry" (RUG). The General Director endorsed the work plan and agreed to hold meetings with stakeholders involved in the process (lawyers, judges, SE legal advisors) to ensure broad institutional support for proposals that emerge from the technical assistance and subsequent implementation.

Increasing financial inclusion by reducing cash-based transactions

On November 6, MEPP staff met with the Chief of Staff of the National Banking and Securities Commission (CNBV) to present the work plan for technical assistance to increase the use of non-cash transactions in regular commercial activity. There are four main objectives for this project: (1) estimate the value and amount of cash transactions in the Mexican economy, (2) estimate the associated costs of the use of cash in the Mexican economy, (3) identify international best practices in policies related to diminishing the use of cash and increasing the use of electronic means, and (4) elaborate public policy recommendations to increase the use of electronic means of payment and reduce cash transactions. Results of the study are expected to be used as inputs for the design of the National Policy for Financial Inclusion. CNBV identified mobile banking and banking correspondents (store-based accounts) as areas of particular interest.

6. Citizens have greater access to public information

As a result of Green Momentum's departure from the MEPP partnership (see Section B below), MEPP has shifted its approach to mobile application development from a proposed national

competition to a closer collaboration with Presidencia's open government initiative. Toward that end, on November 28, MEPP staff met with two Presidencia officials responsible for implementing the digital government strategy: the Director General of Digital Innovation and the Director General of Citizen Participation. The meeting established Presidencia's support of and commitment to MEPP's initiative to develop mobile applications that promote open government. Presidencia committed to work with MEPP to identify areas of interest (from a government agency, private sector interests or civil society) to develop mobile device tools that promote the objectives of the National Digital Strategy. Presidencia and MEPP also agreed to explore the possibility of supporting a network of civil society and academic experts to propose actions that advance those objectives.

B. COUNTERPART CONSULTATIONS AND PROGRAMMATIC ISSUES

Mobile Applications Development

In early November, Green Momentum informed Abt Associates that it would end its participation in the Mexico Economic Policy Program, citing unanticipated administrative obstacles. Green Momentum was in charge of developing Apps4Change, a national competition that was expected to bring together policy analysts, software developers and diverse sources of funding. As a result of Green Momentum's departure, MEPP has shifted its approach to mobile application development from the Apps4Change competition to a closer collaboration with Presidencia's open government initiative.

Emerging Priorities for Ministry of Economy

MEPP staff met with the Ministry of Economy Chief of Staff Jose Guadalupe Saenz on November 19 to discuss current and potential areas of collaboration. The Chief of Staff emphasized that the Sectorial Economic Program 2013–18, which describes the federal government's economic policy priorities through the end of the current presidential term, would be released in mid-December. This program was finally published on December 16 under the name of Innovation Development Program 2013-18 and it was agreed that a follow up meeting would take place in January 2014 to discuss areas of collaboration to be identified after the program's publication. Preliminary ideas for collaboration include: (1) Analysis and proposals on how Mexico can maximize the economic participation in global value chains. This activity could deepen our current assistance supporting ProMexico's efforts to increase opportunities for local suppliers in global value chains; (2) Alignment of existing entrepreneurship programs to the needs of youth. MEPP is mindful that this is a focus area for the new USAID workforce development program and will coordinate accordingly with the COR.

Telecom Regulation and Competition

On December 12, MEPP organized a meeting in which officials from the newly created Federal Telecommunications Institute (IFT) presented a request for technical assistance to USAID Mission Director Tom Delaney, Deputy Mission Director Sean Jones, COR Mark Gizzi and a member of the US Embassy economic section. The IFT request focused on short-term activities that IFT must carry out under constitutional mandate, including:

1. Creating a methodology to determine when firms have a “preponderant” share of a given market. That determination will enable IFT to apply regulations to address asymmetrical market power without being stopped by judicial appeals. The immediate need is to establish what kind of data are required to make this determination;
2. Establishing rules for assigning radio/TV concessions: e.g., measure existing and prospective spectrum allocation, create objective indicators to monitor compliance with concession obligations, create transparent public registry of concessions; and
3. Developing a methodology and pricing model to (a) provide new entrants with reliable and affordable access to existing telecom infrastructure; (b) make interconnections between different companies reliable and affordable.

USAID asked the IFT officials to develop detailed scopes of work, which MEPP will evaluate in January. In addition, USAID and the embassy’s economic section will follow up with MEPP on the possibility of obtaining technical assistance from the U.S. Federal Communications Commission. [NOTE: If USAID directs MEPP to provide technical assistance to IFT, Abt will recommend modifying the activity name “Strengthening Institutional Capacity of CFCE” to “Strengthening Institutional Capacity of Mexico’s Federal Economic Regulators.” Technical assistance to CFCE and IFT support the general goal of helping the federal government to curtail monopolies and anti-competitive practices.

C. CONCLUSION

During the second half of FY 2013 (our first five months) MEPP identified counterpart priorities, created a detailed work plan and performance indicators for each activity, and began technical assistance. The First Quarter of FY 2014 saw substantial technical progress in about half of MEPP’s approved activities. The Program is well-situated to make important governance achievements before the first project year is finished. Moreover, the MEPP team has established important relationships with most of Mexico’s principal economic governance institutions, including the Ministry of Finance, the Ministry of Economy, the National Entrepreneurship Institute, the National Science and Technology Commission, the Federal Economic Competition Commission, the Federal Telecommunications Institute, the Ministry of Public Administration and the Office of the Presidencia. We are not only addressing the priorities of these organizations in our first year, but also building a portfolio of technical assistance projects that will deepen the impact of USAID support during MEPP’s second and third years.

ANNEX I: Activity Summary Matrix

<ol style="list-style-type: none"> 1. Developing selection criteria for commercial viability of innovative firms 2. Supporting high impact entrepreneurs in Mexico City 3. Evaluating the impact of INADEM programs 4. Promoting productivity in public sector programs 5. Understanding and replicating regional technology sector innovation cluster 6. Creating opportunities for local suppliers in global value chains 	<ol style="list-style-type: none"> 1. Understanding and streamlining municipal procedures affecting business operations 2. Assessing online business procedures 3. Understanding obstacles to high impact entrepreneurship 	<ol style="list-style-type: none"> 1. Reforming state government procurement of public works 2. Strengthening the institutional capacity of the Federal Competition Commission 3. Regulating digital government 4. Improving the compliance assessment of technical regulations (NOMs) 	<ol style="list-style-type: none"> 1. Reducing barriers to entry in the Mexican stock market 2. Increasing access to equity for SMEs 	<ol style="list-style-type: none"> 1. Reforming bankruptcy procedures 2. Improving the system for secured transactions 3. Improving contract enforcement through oral trials 4. Increasing financial inclusion by reducing cash-based transactions
Government funds effectively promote private sector development and productivity	Businesses face fewer obstacles for growth	Competition is improved	Regulatory reform improves SME access to private capital	Business transactions are more efficient and reliable
Beneficiaries of GOM spending programs increase product, growth or value added	Costs or time to start up or operate a business are reduced	Prices of goods or services are reduced, or quality and choice are increased	SMEs obtain a higher proportion financing through private capital	Higher volume and number of formal commercial transactions among SMEs
<p>Mobile Applications</p> <p>Citizens have greater access to public information and participate in public policy design</p>				

ANNEX 2: Deliverable Datasheets

Title of Deliverable	Activity Name
<p align="center">Assessment of commercial viability of the Innovation Stimulus Program <i>(Evaluación del mérito de negocio en el Programa de Estímulos a la Innovación)</i></p> <p align="right">1 of 1</p>	<p align="center">Developing selection criteria for commercial viability of innovative projects</p>
Abstract	Counterpart
<ul style="list-style-type: none"> • The document analyzes the Small Business Innovation Research (SBIR) program (management by the US Small Business Administration) to identify specific business merit evaluation processes and features to improve Mexico's Innovation Stimulus Program (PEI). • The assessment provides the following recommendations for the PEI: <ul style="list-style-type: none"> • Increase the stock of the business merit reviewers; • Improve and simplify the Market and Risk Report submitted by businesses under evaluation; and, • Change the evaluation process by incorporating a review panel and introducing filters that decrease the burden for reviewers <p>Keywords: innovation, selection criteria, small business/SME</p>	<p align="center">National Council for Research and Development (CONACYT)</p>
	MEPP Partner/ Author
	<p align="center">C230</p>
	Date
<p align="center">December 2013</p>	

Title of Deliverable	Activity Name
<p>Mapping of government support programs and identification of strategic productive sectors in Mexico City <i>(Mapeo de apoyos e identificación de sectores productivos estratégicos en la Ciudad de México)</i></p> <p style="text-align: right;">1 of 4</p>	Supporting high impact entrepreneurs in Mexico City
Abstract	Counterpart
<ul style="list-style-type: none"> • The document analyzes strengths and weaknesses of programs administered under Mexico City’s Social Development Fund (FONDESO) • Strategic productive sectors are identified by zones in order to promote entrepreneurial initiatives with comparative advantages. • Weaknesses of government supports include: <ul style="list-style-type: none"> • Economic assistance is awarded without differentiation of a business’s developmental stage • Assistance given as subsidy rather than credit or capital. • Resources are not targeted to specific or priority sectors, but are allocated indiscriminately to all kinds of firms. • Preliminary recommendations to increase the fund’s impact include: <ul style="list-style-type: none"> • Coordination of financial services with non-financial services to ensure efficient use of resources. • Coordination among federal and local programs • Definition of key target sectors and groups <p>Keywords: Entrepreneurship, Mexico City, strategic sectors</p>	Mexico City Development Secretary (SEDECO)
	MEPP Partner/ Author
	C230
	Date
August 2013	

Title of Deliverable	Activity Name
<p>Analysis of international best practices and lessons for Mexico City <i>(Análisis de mejores prácticas internacionales y lecciones para la Ciudad de México)</i></p> <p style="text-align: right;">2 of 4</p>	Supporting high impact entrepreneurs in Mexico City
Abstract	Counterpart
<p>Analysis of best practices from Chicago, Medellin, London and Guadalajara. Lessons and recommendations for Mexico City include:</p> <ul style="list-style-type: none"> • Create a credit history database, reward beneficiaries who comply and apply sanctions for default. • Label credits to promote specific expenditure areas and differentiate support types. • Gradual increase of line of credit based on timely payment. • Provide financial education along with credit. • Use public-private partnerships to develop strategic or marginalized areas • Promote projects with positive externalities for industrial corridors. • Leverage higher lines of credit that banks offer SMEs • Encourage venture capital investment by leveraging the creation of a private fund with public resources. • Support innovative projects in strategic sectors. • Generate a tracking scheme coordinated with other dependencies <p>Keywords: SME, best practices, Mexico City</p>	Mexico City Development Secretary (SEDECO)
	MEPP Partner/ Author
	C230
	Date
	August 2013

Title of Deliverable	Activity Name
<p>Analysis of Mexico City's Social Development Fund main problems <i>(Análisis de principales problemas del Fondo de Desarrollo Social de la Ciudad de México)</i></p> <p style="text-align: right;">3 of 4</p>	Supporting high impact entrepreneurs in Mexico City
Abstract	Counterpart
<ul style="list-style-type: none"> • Review of FONDESO's credit distribution, beneficiary profile and employment results to identify main weaknesses • FONDESO has a budget of nearly 15 million USD (2012) and runs the risk of being depleted within ten years because of unsustainable financial allocation practices • FONDESO's objective is disconnected from its allocation practices because programs do not promote economic development. • Lax requirements has generated an adverse selection of beneficiaries • The document also identifies the following problems: <ul style="list-style-type: none"> • Inappropriate use as an emergency fund • Process fragmentation and procedural duplication that generate bottlenecks and operational inefficiencies • Human capital and resource deficiencies • Lack of follow-up once credit is awarded complicates impact evaluation <p>Keywords: development fund, entrepreneurship, credit allocation</p>	Mexico City Development Secretary (SEDECO)
	MEPP Partner/ Author
	C230
	Date
	November 2013

Title of Deliverable	Activity Name
<p align="center">Specific strategic recommendations for Mexico City's Social Development Fund <i>(Recomendaciones estratégicas específicas para el Fondo de Desarrollo Social de la Ciudad de México)</i></p> <p align="right">4 of 4</p>	<p align="center">Supporting high impact entrepreneurs in Mexico City</p>
Abstract	Counterpart
<ul style="list-style-type: none"> • Adjustments to the design of FONDESO's existing programs are proposed through four strategic and six specific recommendations. Recommendations for high impact supports are also included. <ul style="list-style-type: none"> • Strategic recommendations include: conditional credits for SMEs, entrepreneurship centers, a communication campaign and an integration and economic development instrument. • Specific recommendations include: organizational restructuring, improvement of operational sub-processes, applicant registry, supplier catalogue, credit history database and training vouchers. • A critical path for each recommendation includes: objective, justification, operability, steps and actors needed for implementation, benefits and performance indicators. <p>Keywords: economic development, entrepreneurship fund, Mexico City</p>	<p align="center">Mexico City Development Secretary (SEDECO)</p>
	MEPP Partner/ Author
	<p align="center">C230</p>
	Date
<p align="center">November 2013</p>	

Title of Deliverable	Activity Name
<p align="center">Questionnaire for the orientation of the budget programs to the Democratization of Productivity <i>(Cuestionario para la orientación de los programas presupuestales hacia la Democratización de la Productividad)</i></p> <p align="right">1 of 5</p>	Promoting productivity in public sector programs
Abstract	Counterpart
<p>The questionnaire evaluates the extent to which government programs are aligned to the federal government’s Democratization of Productivity agenda. For each program the questionnaire evaluates :</p> <ul style="list-style-type: none"> • Efficiency in use and allocation of factors of production in the economy, • how the program contributes to raising productivity of workers, businesses and producers • how the program strengthens the business environment in which companies and domestic producers operate, and, • extent to which the program promotes balanced regional development to exploit the comparative advantages of each region. <p>The deliverable includes instructions for completing the questionnaire with examples.</p> <p>Keywords: democratization of productivity, program evaluation</p>	Ministry of Finance (SHCP)
	MEPP Partner/ Author
	C230
	Date
July 2013	

Title of Deliverable	Activity Name
<p>Analysis of the current situation for starting a business <i>(Análisis y entendimiento de la situación actual para la apertura de empresas)</i></p> <p style="text-align: right;">1 of X</p>	<p>Understanding and streamlining municipal procedures affecting business operations (Rapid start-up pilots)</p>
Abstract	Counterpart
<ul style="list-style-type: none"> • The deliverable reviews Mexico's business and economic context and its ranking in <i>Doing Business</i> to provide insight about obstacles that businesses face. It reviews initiatives in Chile, Spain, New Zealand and Singapore for opening a business. • The report tracks each step, the number of days required and the organizations involved in the process of starting a business in Mexico. • The report identifies challenges and areas of opportunity that will serve as the basis for designing a mechanism for rapid start-up of new businesses. The process of starting a business should: <ul style="list-style-type: none"> • Revolve around the entrepreneur, • Work in coordination across the three levels of government, • Provide complete information about paperwork required and steps involved, and, • Make it possible to carry out all procedures in one place. <p>Keywords: business start-up, regulatory reform</p>	<p>Ministry of Public Administration (SFP)</p>
	MEPP Partner/ Author
	<p>EY</p>
	Date
<p>October 2013</p>	

Title of Deliverable	Activity Name
<p>Preliminary Strategic Plan for the Federal Competition Commission <i>(Plan Estratégico Preliminar para la Comisión Federal de Competencia Económica)</i></p> <p style="text-align: right;">1 of X</p>	<p>Strengthening the institutional capacity of the Federal Competition Commission</p>
Abstract	Counterpart
<ul style="list-style-type: none"> • The report outlines CFCE's vision, mission, objectives and how it is aligned with Mexico's National Development Plan (Plan Nacional de Desarrollo). • Strategic lines of action to guide the commission's work for 2013-2017 are derived from an internal and external diagnosis of its main strengths, weaknesses, opportunities and threats (SWOT). • Identification of priority sectors and subsectors; proposal of timeframe for intervention • Establishment of indicators to track and assess progress toward achieving CFCE objectives. <p>Keywords: competition, strategic plan, CFCE</p>	<p>Federal Economic Competition Commission (CFCE)</p>
	MEPP Partner/ Author
	<p>Abt/Idea Consultores</p>
	Date
	<p>November 2013</p>