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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 does this through *policy change* (laws, regulations, program rules and design, and transparency) and *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 implementation of substantive reforms and improved practices within the governmental institutions and organizations that mostly direct impact achievement of these 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 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 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 (Cross-cutting): 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)
CIDAC	Center of Research for Development
CIDE	Center for Research and Teaching in Economics
COFECE	Federal Economic Competition Commission
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
FONDESOL	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
IJF	Institute of the Federal Judiciary
IMCO	Mexican Institute for Competitiveness
IMPI	Mexican Institute for Industrial Property
IMSS	Mexican Social Security Institute
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)
SCT	Ministry of Communications and Transportation
SE	Ministry of Economy
SEDATU	Ministry of Agrarian, Territorial and Urban Development
SEDECO	Mexico City Secretariat of Economic Development
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

INTRODUCTION

This document includes the Mexico Economic Policy Program (MEPP) FY 2014 Annual Report and the MEPP 2014 Fourth Quarterly Report. (1) The FY 2014 Annual Report covers the period from October 2013 through September 2014 and is divided into two sections: program status and work plan development. (2) The Fourth Quarterly Report for FY 2014 covers July – September 2014. It provides a detailed description of counterpart consultations, activity development and technical progress achieved during the period.

During FY 2014, the Mexico Economic Policy Program collaborated with principal government counterparts to make major advances in governance reform. Pivotal achievements and impacts of MEPP's assistance include:

- Institutionalization of a rigorous productivity evaluation of federal spending programs within the Ministry of Finance, leading to budget allocation decisions that prioritize and promote private sector growth.
- Modified rules of operation within the National Entrepreneurship Institute (INADEM), which operates Mexico's largest SME fund. The improved coherence and objectivity will result in more effective use of subsidies that enable SMEs to succeed commercially.
- Competition Commission's (COFECE) adoption of a methodology to assess the quality of state government legislation affecting economic competition. This will generate legal reforms prohibiting anti-competitive behavior in eight major economic sectors within Mexican states—ultimately saving taxpayers money.
- Implementation of new rules and selection criteria for Mexico City's Secretariat of Economic Development. Greater objectivity in allocating credit to SME applicants means support to better business projects, improved rates of repayment, and financial sustainability for the program.
- INADEM's endorsement of findings from original research on obstacles to high-impact entrepreneurship. In the near term, this creates a set of indicators that enables the government to identify high-impact SMEs. Even more promisingly, INADEM has requested further MEPP assistance to design a program targeting high-impact entrepreneurs.

These achievements, and others described in this report, represent the first round of progress in this three-year technical assistance program, which will deepen and expand its support up to April 2016. Through the above activities, MEPP has forged strong relationships with Mexico's most important economic governance institutions—the foundation of our ongoing work. Activities and expected results are detailed in the MEPP Work Plan submitted on October 31.

I. ANNUAL REPORT

A. Programmatic highlights

Summary: From October 2013 to September 2014 (FY 2014), MEPP continued to strengthen its relationship with Mexican government counterparts and fostered new partnerships with other government agencies oriented towards fostering economic growth. Activities have started to produce significant governance results and new areas of opportunity have emerged. Some activities have been modified to best fit counterpart needs and demands and new high impact activities have been added.



I. Government funds promote private sector development and productivity

A. Supporting state programs for SMEs

Rules of operation

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, 2013, 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 change in rules of operation and re-design. The Director presented final recommendations to FONDESOS's Technical Council to obtain authorization to implement reforms.

MEPP completed the first phase of technical assistance in December 2013. FONDESOS Director informed MEPP staff that the Fund’s Technical Council had reviewed and endorsed the changes proposed by MEPP. On July 15, 2014, the proposed modifications to FONDESOS rules of operation were published in the city’s *Gaceta Oficial*. Its publication represents a major governance change achievement for MEPP that will enhance the efficiency and transparency of resource allocation, and will establish high-impact entrepreneurship as a strategic objective of the SEDECO.

Risk assessment tool

In response to a recommendation derived from earlier technical assistance, FONDESOS requested MEPP technical assistance to develop an algorithm to ensure objective and systematic selection of beneficiaries for the SME and microcredit fund. The algorithm was designed and evaluated based on databases from previous applicants and their payment history. The new selection process allows SEDECO to avoid discretionary decision-making. MEPP assistance included close collaboration with FONDESOS staff to digitize necessary beneficiary information and use existing databases to develop and run trials of the algorithm. The algorithm’s preliminary launch is expected to be ready in November 2014.

Program referral tool

On June 6, 2014, MEPP met with FONDESOS leadership to assess progress with ongoing activities and explore additional technical support. As part of the technical support provided to FONDESOS, MEPP began work on the creation of a tool that links potential beneficiaries with existing SME-oriented federal and local programs. The MEPP team presented a manual and a preliminary electronic tool that enables applicants to learn about federal and local SME support programs that address their needs, resources and goals. The electronic tool will become a web-based application.

On September 9, 2014, MEPP staff presented the economic development referral tool to Mexico City Secretary of Economic Development Salomon Chertorivsky. The web-based tool incorporates the previously developed manual about federal and sub-national SME support programs available to Mexico City beneficiaries. Based on responses via an online questionnaire, the tool proposes program options that best meet the needs of business stakeholders. Secretary Chertorivsky thanked the MEPP team for USAID support and proposed a public event in which Mexico City’s Mayor would officially launch the tool.

B. Strengthening the impact of federal programs

Evaluation manual / guidelines

In order to measure and continuously improve the impact of the National Entrepreneurship Institute (INADEM) programs supporting SMEs, MEPP provides technical assistance to evaluate and improve its 24 sub-programs (*convocatorias*) –with a total 2014 budget of approximately 7.5 billion pesos (USD \$580 million) – targeting different SME beneficiary groups. During an October 22, 2013 meeting that included INADEM President Enrique Jacob, the institute’s leadership proposed several sub-programs that would be subject to evaluation design, including microenterprise technology, incubators and accelerators, export assistance and capital funds.

MEPP conducted an informational diagnostic of the 24 *convocatorias* as INADEM lacks data about key variables needed for impact evaluations.

On November 13, 2013, MEPP staff met again with Mr. Jacob, who stated his intention to improve the process used to select projects that receive subsidies from the SME fund and requested MEPP technical assistance to focus on: (1) Pre-selection process, in order to give State governments and organizations more weight in pre-selecting projects; (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. These activities complement the current efforts to design an impact assessment of INADEM's SME support programs.

In February 2014, MEPP finished the first phase of technical assistance to improve the evaluation of proposals. MEPP assistance resulted in extensive modifications of written guidelines used by evaluators to assess the financial, technical and business viability of projects that SMEs and entrepreneurs submit for INADEM support.

MEPP's work significantly improved the guidelines in several ways: ensuring coherence between evaluator guidance and formal requirements stated in the RFPs; eliminating repetitive text and standardizing certain evaluation criteria to be used in all RFPs; and incorporating international best practices and lessons learned from the programs evaluation. MEPP policy analysts consulted directly with INADEM staff and members of the National Evaluator System (SNE by its Spanish acronym), whose feedback and experience helped ensure that new guidance is clear, coherent, and feasible.

MEPP submitted its recommendations for modified guidelines for all 24 *convocatorias*, all of which were approved by INADEM. The adoption of the guidelines represents a major achievement in governance improvement, as INADEM evaluators will allocate resources from Mexico's largest SME development fund in a more effective and transparent manner.

Innovation programs criteria

In October and November 2013, 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, 2013, 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, but does not consider whether there is a market for project innovations. 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. The Deputy Director thanked MEPP for the report and acknowledged the importance of the findings. CONACYT has indicated that because of internal decision-making processes and pressure to avoid substantive programmatic modifications, the recommendations will not be implemented this fiscal year or in the near future.

C. Promoting productivity through public sector programs

During FY2014, 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 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 2013, 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.

On January 28, 2014, MEPP staff participated in an inter-agency meeting to determine next steps to institutionalize the productivity assessment tool. At the meeting, representatives from SHCP, the National Evaluation Council (CONEVAL), and the Ministry of Public Administration (SFP) agreed to include the evaluation mechanism in the Guidelines for Budget Program Evaluation (*Lineamientos para la Evaluación de Programas Presupuestales*) which inform the government’s assessment of major spending programs. The officials agreed to pilot the guidelines in ten selected programs to evaluate the questionnaire’s clarity and effectiveness. Federal approval of the guidelines represents significant progress in the institutionalization of productivity criteria in federal spending decisions.

On February 14, 2014, MEPP staff met with the EPU to review the self-assessment questionnaire results. At the meeting, staff from SHCP's Business Solution unit (IT) presented the electronic platform for the questionnaire and received feedback from MEPP and SHCP staff on how to make the application more interactive and easier for users to understand. As a result of USAID/MEPP funding and technical work, on February 21, 2014, SHCP issued a directive to chief financial officers (*Oficiales Mayores*) in key federal agencies that operate budgeted programs. The directive identified 36 programs as candidates to pilot the productivity evaluation tool starting in March 2014. The governance impact of MEPP's work is significant because SHCP is legally empowered to assess the economic impact of federally budgeted programs.

On March 4, 2014, SHCP hosted a workshop to formally launch the productivity evaluation mechanism. The workshop was attended by over 100 officials representing eleven ministries and federal agencies that were to be responsible for piloting the evaluation over the next two months. In his opening remarks, EPU Director Abraham Zamora emphasized the central role of productivity in Mexico's 2012-2018 National Development Plan, and thanked USAID for its support in producing an innovative evaluation tool that will enable the Mexican government to allocate public sector financial resources more effectively.

On March 11, 2014, MEPP staff met with the analytical director of the EPU to plan next steps for implementing the productivity assessment. The EPU requested MEPP technical assistance to (1) develop a survey for the productivity assessment tool to provide users' insight about usefulness and functionality; and (2) obtain third party assessments of responses from each spending program. The purpose of this assistance was to validate the responses and associated data and supporting documentation—and to provide additional data and analysis to improve program design. As a result of the request, on April 25, 2014, MEPP published a Request for Proposals in the national newspaper *Reforma*, which described the activity and gave instructions for interested parties who wish to bid for the contract. MEPP formed a team of third-party evaluators from Mexico's most prestigious universities and research centers to validate the questionnaire responses that offered additional data and recommendations for aligning programs with the federal government's Program for Democratizing Productivity.

On June 19, 2014, staff from USAID and MEPP met with officials from the Ministry of Finance's EPU to review project technical assistance and plan next steps. EPU Analysis Director Jose Ernesto López thanked USAID for its support in developing and implementing the EPU's productivity assessment tool, and requested further technical assistance in three areas: 1) producing program-specific reports that summarize the evaluation's main findings and propose governance changes to improve alignment with productivity principles; 2) communications and outreach to educate the general public about productivity and EPU's mission (video, publications); and 3) assist EPU and the Ministry of Labor (STPS) in surveying state-level productivity commissions throughout the country to learn about successes and weaknesses of these new multi-stakeholder institutions. MEPP technical assistance has enabled the EPU not only to refine its principal evaluation mechanism, but also to receive recommendations to align government organizations to PDP goals.



2. Businesses face fewer obstacles to growth

A. Streamlining business procedures

Empresa al instante

In November 2013, 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. In addition the MEPP team carried out interviews with key personnel from these institutions.

The MEPP team worked on the second phase of the project in November and December 2013. 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 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.

On June 25, 2013, MEPP met with SE’s General Director of Commercial Regulation to discuss implementation and next steps for “*Empresa al Instante*”. MEPP drafted a Presidential decree that would make this model operational at the state level. SE suggested that MEPP implement the model in one or two states and three or four municipalities to ensure that the mechanism is operationally viable and to gain leverage before the decree is sent to the executive for discussion. The MEPP team is now working with selected states to evaluate interest in piloting *Empresa al Instante* and expects to have initial participants in early CY 2015.

Local regulations that affect entrepreneurship

On January 16, 2014, MEPP launched a survey about municipal obstacles to businesses at the annual meeting of directors of COPARMEX, a major Mexican business association. The survey was administered to COPARMEX members (mostly business owners) throughout the country. Findings informed a MEPP report on experiences and opinions of business owners about the role of local, state and federal government in business start-up and operations, and provided insights for the design of a web-based tool that minimizes the principal regulatory obstacles identified in the survey.

On August 26, 2014, MEPP presented a proposal to develop this innovative tool to the top four municipal presidents (mayors) and economic development officials from the State of Mexico. MEPP staff invited the officials to participate in a pilot project to make public data available through an adaptable electronic platform, which would significantly reduce costs and time for local governments to implement on their own. The platform and webpage template designed by MEPP will enable municipalities to consolidate local procedures for opening and operating a business; allow businesses to verify the identity of government inspectors; and allow citizens to consult information about urban development and land use policies with which they must comply. Officials from all four municipalities indicated their willingness to participate in the pilot. Findings and results are expected to create awareness and incentives for many other municipalities to replicate the platform.

B. Reducing obstacles to high impact entrepreneurship

Obstacles to high impact SMEs

On June 9, 2014, MEPP staff met with INADEM President Enrique Jacob and Chief of Staff Alejandro Gonzalez to present project research on “Obstacles to High-Impact SMEs” and explore how to apply findings to governance actions. MEPP research included a technical definition of "high-impact" SMEs as well as findings from a survey to identify obstacles faced by such firms, such as lack of access to finance, market information, adequate technology and government resources, as well as cumbersome tax payment procedures. INADEM’s leadership expressed satisfaction with results thus far and asked MEPP to develop public policy proposals to minimize these obstacles and design and administer a comprehensive survey to best understand them. Based on feedback from INADEM, MEPP plans to design and carry out a more in-depth survey of businesses at the beginning of FY2015.



3. Competition is improved

A. Procurement best practices

ICT goods & services

In its efforts to achieve citizen participation and digital economy objectives, the National Digital Strategy unit (NDS) of the Office of the President 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 2013, MEPP held meetings with *Presidencia's* Digital Innovation General Directorate to determine the focus and scope of this collaboration.

Presidencia requested MEPP technical assistance to review current Mexican practices on acquisition of digital services and to propose actions that allow governmental organizations to procure such services from small and innovative firms. The procurement study will serve two objectives: in the short-term, to ensure that application ownership resulting from the *Retos Públicos* project (described below under Outcome 6) is transferred to the participating agency, and in the long-term, to effect changes to current regulations to increase SME participation in digital services procurement.

B. Strengthening regulatory capacity

COFECE Strategy

In October 2013, 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 consisted of organizational research, as well as interviews and workshops 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.

On January 31, 2014, COFECE presented the Strategic Plan for 2014-2017. It broadly defines the priority areas of the Commission's work plan. The work program establishes: 1) the Commission's vision and objectives over the next four years; 2) Strategic outcomes related to creating a "culture of competition" and becoming a state-of-the-art institution; and 3) Policies and institutional practices to improve COFECE's capacity to enforce the law.

On June 6 and June 20, 2014, COFECE held seminars, organized by MEPP, to train journalists on competition policy and related economic analysis. MEPP supported the journalists' training to improve the quality and depth of competition policy information reported in print, broadcast

and internet media, as well as to improve reporters' understanding of the relationship between competitive markets and economic growth. COFECE President Alejandra Palacios explained how competition enhances productivity, and maintained that journalists have a unique and critical role in reporting COFECE actions to citizens affected by the commission's decisions. The training covered Mexican competition policy over the past two decades, focusing on relative and absolute monopolistic practices. It also addressed changes that will soon take effect as a result of the amended Competition Law. Over 60 journalists from all types of media participated in the training.

State sectorial analysis

On July 2, 2014, COFECE held a workshop to launch a project that assesses state government legal and regulatory frameworks affecting competition in seven key economic sectors: public sector acquisitions, public works (procurement), agriculture, SMEs, urban development and housing, health and transportation (cargo and passenger). The project will cover all of Mexico's 31 states and the Federal District. It will be implemented by a team of experts drawn from Mexico's most respected policy research organizations, including IMCO, C230, CIDE and CIDAC. The workshop was led by Jose Roldán Xopa, head of CIDE's law department, who presented a methodology and set of indicators that each sector analysis team will apply to ensure rigor and comparability throughout the assessment. The main findings expected from the activity include a state ranking by sector, as well as proposals for legal and regulatory improvements that strengthen competition within each sector.

On September 10, 2014, MEPP presented the outline of the "Assessment of Competition Regulation in Mexican States" to COFECE commissioners. While the Commission is rapidly developing capacities to enforce the national competition law (with significant USAID support), it lacks financial and human resources to make a major impact within Mexico's 32 states, where anti-competitive practices can be notoriously common. The Commissioners expressed satisfaction with the outline and articulated their commitment to review and provide feedback on the preliminary draft, which is expected early next year. The presentation was an important step because the Commissioners have decision-making authority that will determine how effectively Assessment recommendations are promoted and implemented at the state level.

Judicial / regulator diplomado

MEPP worked closely with COFECE to strengthen institutional capacity and effectiveness. In April, MEPP made significant progress toward developing a joint capacity-building program for federal judges (*magistrados*) who sit on specialized tribunals that issue decisions on competition cases and COFECE and IFT officials. MEPP worked closely with the British embassy to develop and launch a course on competition law and economic analysis for judges and regulators. On August 18, 2014, U.S. Ambassador Anthony Wayne was keynote speaker at the launch of the technical course (*diplomado*) "Competition Law and Regulated Sectors". The six-month certification course in competition law and regulated sectors brings in leading experts from Mexico and around the world to train regulators from the COFECE and IFT, and federal judges who sit on specialized competition tribunals in analytical and procedural best practices. The 132-hour course strengthens not only institutional capacity, but also communication and mutual understanding among institutional actors responsible for enforcing competition law. (For a detailed breakdown of topics see Annex 2 in the Fourth Quarterly Report below).

Competition Alliance

On April 29, 2014, the MEPP COP and the Director of Government Relations met with COFECE Director of International Relations to discuss the creation of an international alliance, composed of bilateral and multilateral organizations that supports COFECE capacity-building efforts. As a result, MEPP organized the launch of the Alliance for Competition (*Alianza por la Competencia*) (www.alianzaxcompetencia.com) on August 21, an unprecedented international initiative to promote economic reform. The Alliance brings together government institutions, international development organizations, civil society and academia to promote a “culture of competition” and strengthen implementation and enforcement of recent legal reforms. Over 100 people attended the evening event, including numerous media outlets, which generated extensive coverage, including through social media.

The Alliance offers a forum for public dialogue as well as a space to share best practices and learn from the experiences of other countries. Members include the recently formed IFT, COFECE, the Federal Judiciary Institute, CIDAC, the Mexican Institute for Competitiveness (IMCO), the Center for Economic Research and Higher Education, USAID, the British Embassy, the Organization for Economic Co-operation and Development, the World Bank, and the Inter-American Development Bank (IDB). In remarks at the event, U.S. Ambassador Wayne congratulated Mexico for reforms that significantly improve the country’s legal and regulatory framework governing competition and noted that implementation remains a challenge for regulators and judges.



4. SMEs have greater access to private capital

A. Innovative financing for SMEs

Stock market inclusion

On November 6, 2013, MEPP staff met with Enrique Perret, 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 underdeveloped. MEPP carries out research during the first half of 2014. One of the most important findings was that listing process for the Mexican stock market (BMV) was not particularly cumbersome, contradicting a widely recognized hypothesis that internal BMV regulations deter firms from listing. However, research did indicate that private and institutional investors face regulatory weaknesses that discourage them from investing in equity instruments. In particular, lack of investor protection reduces the confidence of investors who might otherwise help finance high growth-potential firms. MEPP will follow up this research with proposals for policies that encourage highly performing businesses to list on the BMV.



5. Business transactions are more efficient and reliable

A. Improving the system for secured transactions

Operationalizing guarantees

On November 5, 2013, MEPP staff met with the Ministry of Economy (SE) 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.

The project was launched in January. Research quickly revealed that the RUG, which should enable creditors to claim assets of debtors in a reliable manner, is essentially unknown and unused in judicial proceedings. While judges interviewed were unfamiliar with the registry, they indicated that it would be very useful to them in reaching verdicts. MEPP and Ministry of Economy staff agreed that a promotional campaign –including capacity-building events and a user guide– would help ensure the effective implementation of operational improvements, and that MEPP could support such efforts in a subsequent stage.

In May 2014, MEPP drafted a proposal of legal reforms to increase the use of RUG and make it more operational and accessible for users. A central part of the proposal consists of a legislative reform that would make it obligatory for federal judges to consult the RUG in cases or disputes involving secured transactions, to obtain a lien certificate, and to register secured transactions within the RUG in accordance with credit priority. On June 4, the MEPP team met with SE officials to review the proposed draft and obtain feedback. In September SE and MEPP agreed to carry out a new phase of technical assistance that focuses on the actual judicial procedures involved in obtaining and executing guarantees. MEPP will carry out the research and submit proposals for procedural improvement in early 2015.

B. Deepening financial system

Reducing cash based transactions

On November 6, 2013, MEPP staff met with the Chief of Staff of the National Banking and Securities Commission (CNBV) to present a 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. In June 2014 MEPP presented findings to reduce cash-based transactions and deepen Mexico's financial system. MEPP research revealed a high correlation between use of electronic interbank transfers and a decrease in cash use—by a greater degree than other non-cash payments such as debit and credit cards, mobile phone transactions and checks, a finding that generates policy implications. MEPP has planned a deeper e-commerce activity for the second half of the Program.



6. Citizens have greater access to public information and participate in public policy design

A. Digital government and Open Data

Open data ecosystem

On November 25, 2013, President Peña Nieto formally launched the National Digital Strategy (NDS) 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.

On May 14, 2014, MEPP met with Presidencia's NDS Coordination (CEDN) to address a new activity to create and implement an open cities toolkit (*Red México Abierto*) which would provide regulatory guidelines for cities and states seeking to adopt open data policies. MEPP explored options for technical assistance to develop general legal principles and technical standards that local governments can use when developing their own legislation and regulations, as well as focused guidance for cities leading the open data effort. On June 30, the MEPP team met again with the CEDN team to kick off the *Red México Abierto* activity. As a first step MEPP selected three municipalities (Zapopan, Xalapa and San Luis) and one state government (Morelos) to participate in a pilot study that will help *Presidencia* identify key stakeholders, local needs and IT obstacles. This information will be used to assess technological readiness and propose measures to ensure the viability of implementing an open data policy for local governments exhibiting institutional weaknesses. The toolkit will compile standards,

technological and policy requirements to guide local governments in developing their own legislation and regulations.

Applications

On November 28, 2013, MEPP staff met with two *Presidencia* officials responsible for implementing the national 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 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.

On January 27, 2014, MEPP staff met again with the Director General of Digital Innovation to establish the collaboration mechanism for the applications development project. *Presidencia* will lead a project called *Retos Públicos* (Public Challenges) in which selected government agencies identify a specific problem (or opportunity) that can be addressed through mobile applications. *Presidencia* CEDN team will identify and select the most promising application proposals, which would then be reviewed by an evaluation committee composed of representatives of relevant government agencies. Winning proposals will be developed into applications using MEPP or other financial resources.

In parallel, during the first week of February, Abt Associates' Client Technology Center carried out a series of interviews with Mexican business representatives, NGOs and government organizations and produced preliminary recommendations for MEPP to support the development of applications that increase citizen access to public information and promote civic knowledge of and participation in the policy-making process. The recommendations include a roadmap for supporting three application development processes, one of which is *Retos Públicos*.

On March 19, 2014, MEPP issued a Request for Proposals to contract professional services for *Retos Públicos*. The selected contracting organization is in charge of revising and proposing changes to the *Retos Públicos* project design and each of the five "challenges". The organization also designs and develops a management platform that will be hosted in the federal government portal www.datos.gob.mx after MEPP closes out, maintains communication with all actors involved in the competitions, and helps evaluate and select winners for each challenge.

On May 14, 2014, the MEPP team met with the CEDN team and the NGO contract winner Codeando México to plan the launch of *Retos Públicos*. It was decided that the platform would be held in a federal government internet platform that allows participants to register and upload application. This site enables *Presidencia* to receive and consolidate relevant information about *Retos Públicos* within a single online portal that reduces costs and duplication of effort.

On June 25, 2014, National Digital Strategy Coordinator Alejandra Lagunes announced the launch of the *Retos Públicos* platform retos.gob.mx at an event in Zapopan, Jalisco. Interested micro and small businesses have one month to submit an application proposal that responds to a government agency need to develop an application that improves the availability of public

data. Five finalists are selected to develop detailed proposals and a jury composed of Presidencia and INADEM officials select a winner, whose prize is a contract to produce and launch the application.

On August 13, 2014 during Entrepreneurship Week Alejandra Lagunes, thanked USAID and MEPP for support and technical assistance in the design and implementation of the platform, and announced new application challenges to:

- Provide up-to-date information about government procedures and services.
- Allow citizens to file corruption complaints with the Ministry of Public Administration.
- Allow users to plot travel routes in Mexico
- Create a network of volunteers by posting opportunities to contribute to local communities.

B. Program status with counterparts and initial PMP results

Early in this fiscal year, MEPP translated into Spanish its *Competitiveness Baseline and Institutional Diagnosis* (CBID), which was produced for USAID at the start of the program to identify and justify the policy areas in which MEPP concentrates. The Spanish language CBID is tailored for Mexican stakeholders and partners. The report analyzes Mexico's state of competitiveness and describes MEPP's six overarching objectives. Copies of the report were mailed to top level government officials, including General Directors, Deputy Ministers, Commission Presidents and Advisor Coordinators, and partners and consultants engaged with the Mexico Economic Policy Program. This Spanish CBID enhances MEPP's stature and credibility in Mexico by communicating the Program's vision and establishing a solid empirical basis for technical assistance projects that it supports.

Over the second fiscal year, the MEPP team held numerous consultations and maintained constructive relations with: the Ministry of Finance (SHCP), Ministry of Economy (SE – including Undersecretariat of Industry and Trade and Undersecretariat of Competitiveness and Standards), the National Entrepreneurship Institute (INADEM), Federal Competition Commission (COFECE), Office of the President, Ministry of Public Administration (SFP), Mexico City's Secretariat for Economic Development (SEDECO), National Securities and Banking Commission (CNBV), and the Federal Judiciary. MEPP also developed new fruitful relations with: State of Mexico key Municipalities, the State of Colima, Mexican Institute of Industrial Property (IMPI), Mexican Social Security Institute (IMSS), Ministry of Transportation and Communication (SCT) and Ministry of Agriculture, Land and Urban Development (SEDATU).

MEPP addressed the priorities of these organizations during the first year, and built a portfolio of technical assistance projects that would deepen the impact of USAID support during MEPP's second and third years.

C. Performance management plan results

By the end of FY 14 MEPP had completed six T1 targets, three T2 targets and trained 1,466 people, It is worth emphasizing that 1,240 of those trained were high level decision-makers: officials and judges from specialized tribunals. In line with the PMP submitted on September 19 2013, Tier 1 indicates formal acknowledgment and approval of MEPP governance proposals from a ranking public sector official, as well as a statement of intention to implement the proposal. Tier 2 indicates actual adoption or implementation of governance proposals produced through MEPP activities. All governance goals, corresponding activities and Tier 1 and Tier 2 outcomes are listed in [Annex 3](#).

MEPP met and exceeded the targets included in the original Performance Management Plan. The September 2013 PMP included a Year 1 target of four T1 achievements (14 x 0.3) and an additional four for Year 2. By September 2014 MEPP had achieved a total of six, keeping the Program solidly on track to achieve a total of eight by the end of Year 2. However, the new Work Plan significantly increases the total number of sub-activities, which will result in much higher absolute number than forecast at the beginning of the program. The original PMP also included a T2 target of zero for Year 1 and a T2 target of three for Year 2. MEPP has already made three T2 achievements with almost half a year left in Year 2. As mentioned above, the new Work Plan significantly increases the overall T2 target.

2. FOURTH QUARTERLY REPORT FY 2014

A. TECHNICAL PROGRESS TOWARD POLICY OUTCOMES

During the fourth quarter of FY 2014, MEPP made significant advances finishing key dub-activities and initiating a second phase for those that require additional assistance to achieve governance impact. Achievements for the quarter include the launch of the technical course (*diplomado*) on Competition Law and Regulated Sectors and the launch of the Alliance for Competition (*Alianza por la Competencia*), an unprecedented international initiative to promote economic reform. This section of the Quarterly Report presents technical progress and governance achievements under MEP during the fourth quarter. Descriptions of all final deliverables completed during the quarter are provided in **Annex 2**. In addition, a list of achievements, as defined under our Performance Management Plan, is provided in Annex 3. As of October 2014, the Program has achieved “Tier I” impact --- counterpart endorsement and statement of governance change intentions – in **five** of our **sixteen** thematic activities. These thematic activities include a total of **27** sub-activities, **20** focused on policy and **seven** on institutional capacity-building.



I. Government funds promote private sector development and productivity

A. Supporting state programs for SMEs

Rules of operation

On July 15, 2014, the modifications to FONDESOS’s rules of operation based on research, consultations and proposals developed by MEPP were published in the city’s *Gaceta Oficial*. Its publication represents a governance change achievement for MEPP that will enhance the efficiency and transparency of resource allocation, and will establish high-impact entrepreneurship as a strategic objective of Mexico City’s Secretariat for Economic Development.

Program Referral tool / Geo-reference electronic platform

On September 9, MEPP staff presented an economic development referral tool developed with USAID funds to Mexico City Secretary of Economic Development Salomon Chertorivsky; developed as part of the technical support so far provided to Mexico City Social Development Fund (FONDESOS). The web-based tool, which will be completed in October, consolidates information about federal and sub-national small and medium enterprise (SME) support programs available to Mexico City SMEs. Based on responses via an online questionnaire, the tool proposes program options that best meet the needs of business stakeholders. Secretary Chertorivsky thanked the MEPP team for USAID support and proposed a public event in which Mexico City Mayor Miguel Mancera would officially launch the tool. In addition, the Secretary asked MEPP to consider other potential areas of collaboration, including the development of a geo-referenced mapping tool that provides users with detailed information about the location of existing businesses in particular sectors, which could help start-ups determine where to

establish new businesses. The Secretary also requested technical assistance designing a lending program that creates incentives for banks to provide credit to young SME owners.

B. Promoting productivity through public sector programs

Aligning public policy programs to productivity

On September 25, the MEPP Chief of Party (COP) and Director of Government Relations met with the Deputy General Director of Federal Program Results Evaluation, part of the Finance Ministry's Performance Evaluation Unit (UED). The discussion focused on how the UED can leverage the results from the productivity evaluation tool that MEPP developed for the Finance Ministry's Economic Productivity Unit (UPE) to influence federal spending program design. The UED official expressed significant interest in the findings produced thus far with USAID assistance, and indicated that the results would be incorporated into UED recommendations regarding program rules, design and funding levels. The meeting represents an important achievement, because UED has a formal mandate to submit opinions, findings and recommendations that have an impact on public sector spending.

Value Chains

On July 22, the USAID MEPP organized a workshop with the Ministry of Economy (SE) to gather top corporate representatives from 23 companies, including Sears Mexico, El Palacio de Hierro (major department store), FEMSA (Coca Cola), Johnson & Johnson, Walmart, Mercado Libre, and Supply Chain Institute, among others. The purpose of the workshop was to establish and validate the content of an extensive survey that MEPP, at the request of the Ministry of Economy, will send to approximately 300 Mexican businesses that have significant participation in value chains. Input from the corporate leaders and experts helped MEPP refine the questionnaire which addresses a range of factors affecting value chain efficiency, keep the questions timely and relevant, and include emerging business opportunities and challenges such as e-commerce. Results from the survey, which will be administered from August to October, will not only update performance indicators and industry benchmarks that the Ministry has been tracking for six years. It will also inform the creation of proactive policy measures that the government can take –e.g., through public investment, regulatory reform or capacity-building initiatives– to increase the efficiency of Mexican value chains and national economic competitiveness. The workshop represents USAID's priority to infuse its technical assistance on economic policy with the experience and explicit needs of the private sector.

MEPP staff worked throughout August to develop the survey administered to representatives of enterprises across eight key sectors: consumer goods, automobiles, electronics, pharmaceuticals, commerce, third party logistics, manufacturing and textiles. The survey consists of approximately 300 questions, divided into seven categories: business profile, strategy, planning, operations, customer support, metrics and public policies. On August 25, MEPP staff and SE officials formally approved the design and content of the survey. After this rigorous design process and testing period, MEPP launched the survey on September 24 to be administered until early December. MEPP staff will then have the empirical data necessary to identify problems, gaps and deficiencies that undermine value chain productivity in Mexico, and propose corresponding public policy measures to address these.



2. Businesses face fewer obstacles to growth

A. Streamlining business procedures

Local regulations to entrepreneurship

On August 26, MEPP presented an innovative open data proposal to the top four municipal presidents (mayors) and economic development officials from the State of Mexico. MEPP staff invited the officials to participate in a pilot project to make public data available through an adaptable electronic platform, which would significantly reduce costs and time for local governments to implement on their own. The platform and webpage template designed by MEPP will enable municipalities to consolidate local procedures for opening and operating a business; allow businesses to verify the identity of government inspectors; and allow citizens to consult information about urban development and land use policies with which they must comply. Officials from all four municipalities indicated their willingness to participate in the pilot. Findings and results are expected to create awareness and incentives for many other municipalities to replicate the platform.



3. Competition is improved

A. Strengthening regulatory capacity

COFECE Strategy

On July 17, the MEPP Director of Partner and Government Relations participated in two COFECE focus groups designed to improve the Commission's understanding of public awareness of competition and antitrust concepts. The first group included college graduates between 25 and 35 years of age, with an average monthly income of \$25,000 MXP. The second group included people between 35 to 45 years of age, with post-graduate education and an average monthly income of \$65,000 MXP. Findings indicated that both groups had similar levels of understanding about the benefits of competition, but virtually no knowledge about COFECE or government reforms to enforce competition policy. (The findings suggest that knowledge among non-college graduates is likely to be even lower). The focus groups kicked off MEPP technical assistance to develop content for the Commission's public advocacy plan, whose development was included last year in COFECE's USAID-supported five-year strategy.

COFECE's annual Competition Day on September 22 was celebrated with an event that featured all four of the Commission's former and current presidents together for a groundbreaking public discussion, including priorities and challenges in making Mexico more competitive. The issues raised during the event by these influential persons—who had never appeared together before—dovetail with assistance being delivered by USAID's Mexico Economic Policy Program, which supported the event.

State sectorial analysis

On July 2, the Mexican Economic Competition Commission (COFECE) held a workshop to launch a project that assesses state government legal and regulatory frameworks affecting competition in seven key economic sectors: public sector acquisitions, public works (procurement), agriculture, SMEs, urban development and housing, health and transportation

(cargo and passenger). The project, financed by MEPP, will cover all of Mexico's 31 states and the Federal District. It will be implemented by a team of experts drawn from Mexico's most respected policy research organizations, including IMCO, C230, CIDE and CIDAC. The workshop was led by Jose Roldan Xopa, head of CIDE's law department, who presented a methodology and set of indicators that each sector analysis team will apply to ensure rigor and comparability throughout the assessment. The main findings expected from the activity include a state ranking by sector, as well as proposals for legal and regulatory improvements that strengthen competition within each sector. On July 10, the group met again to finalize the methodology to be used in each sectorial study.

On September 10, MEPP presented the outline of the "Assessment of Competition Regulation in Mexican States" to COFECE commissioners. While the Commission is rapidly developing capacities to enforce the national competition law (with significant USAID support), it lacks financial and human resources to make a major impact within Mexico's 32 states, where anti-competitive practices can be notoriously common. The Commissioners expressed satisfaction with the outline and articulated their commitment to review and provide feedback on the preliminary draft, which is expected early next year. The presentation was an important step because the Commissioners have decision-making authority that will determine how effectively Assessment recommendations are promoted and implemented at the state level.

Judicial / regulator diplomado

On August 18, U.S. Ambassador Anthony Wayne was keynote speaker at the launch of the technical course (*diplomado*) Competition Law and Regulated Sectors, an ambitious capacity-building initiative for competition authorities. This six-month certification course in competition law and regulated sectors is supported by USAID's MEPP and the British embassy. The *diplomado* will bring in leading experts from Mexico and around the world to train two main groups—regulators from the Federal Economic Competition Commission (COFECE) and the Federal Telecommunications Institute (IFT), and federal judges who sit on specialized competition tribunals—in analytical and procedural best practices. The 132-hour course will strengthen not only institutional capacity, but also communication and mutual understanding among institutional actors responsible for enforcing competition law.

Competition Alliance

On August 21, MEPP organized the launch of the Alliance for Competition (*Alianza por la Competencia*) (www.alianzaxcompetencia.com), an unprecedented international initiative to promote economic reform. The Alliance brings together government institutions, international development organizations, civil society and academia to promote a "culture of competition" and strengthen implementation and enforcement of recent legal reforms. Over 100 people attended the evening event, including numerous media outlets, which generated extensive coverage, including through social media.

The Alliance offers a forum for public dialogue as well as a space to share best practices and learn from the experiences of other countries. Members include the recently formed IFT, COFECE, the Federal Judiciary Institute, CIDAC, the Mexican Institute for Competitiveness (IMCO), the Center for Economic Research and Higher Education, USAID, the British Embassy, the Organization for Economic Co-operation and Development, the World Bank, and the Inter-American Development Bank (IDB). In remarks at the event, U.S. Ambassador Wayne

congratulated Mexico for reforms that significantly improve the country's legal and regulatory framework governing competition and noted that implementation remains a challenge for regulators and judges.



6. Citizens have greater access to public information and participate in public policy design

A. Digital government and Open Data

Applications

Alejandra Lagunes, National Digital Strategy Coordinator from the Office of the President, presented *Retos Públicos* (retos.gob.mx) on August 13 during Entrepreneurship Week. *Retos Públicos* is an innovative platform that allows entrepreneurs and SMEs to compete openly to develop software applications enabling citizens to access important public sector information, such as administrative requirements and application procedures, and interact with government agencies. Ms. Lagunes thanked USAID and MEPP for support and technical assistance in the design and implementation of the platform, and announced new applications to:

- Provide up-to-date information about government procedures and services.
- Allow citizens to file corruption complaints with the Ministry of Public Administration.
- Allow users to plot travel routes in Mexico
- Create a network of volunteers by posting opportunities to contribute to local communities.

B. COUNTERPART CONSULTATIONS AND PROGRAMMATIC ISSUES

MEPP support to MUSEIC

On July 3, the COR, COP and Director of Partner and Government Relations met with Adriana Tortajada, General Director for Entrepreneurship and Finance at INADEM, Mexico's point person for the Mexico-United States Entrepreneurship and Innovation Council (MUSEIC). In 2013, Presidents Peña Nieto and Obama agreed to create MUSEIC to promote and strengthen cross-border innovation and production systems. The objective of the meeting with Ms. Tortajada was to define MEPP's role in providing technical and administrative support to create and institutionalize MUSEIC's Technical Secretariat. As a result of the meeting, the MEPP drafted a scope of work that defines central activities and objectives of USAID technical assistance.

Assistance to Mexican Institute of Industrial Property

On July 15, MEPP staff met with Monica Villela, Deputy General Director of the Mexican Institute of Industrial Property (IMPI), to explore possibilities for USAID technical assistance. Shorter term proposals include: 1) adapting and replicating effective state-level patent offices, possibly through electronic means, to increase the availability of patent search and submission services throughout the country; and 2) developing an application to facilitate patent decisions for innovators. In the medium term, IMPI seeks to design an awareness-raising instrument that

would provide courses for public sector personnel and university students on the importance of intellectual property. In August IMPI will send details about these proposals for MEPP staff to review and consult with USAID.

Entrepreneurship support network

On July 29, the MEPP COP and Director of Partner Government Relations met with Marisol Rumayor, INADEM General Director for Business Development. Ms. Rumayor requested MEPP technical assistance to map diverse private sector organizations with resources and capacity to promote entrepreneurship. As part of Ministry of Economy efforts to institutionalize a “one-stop shop” where entrepreneurs can find solutions to a multitude of challenges –e.g. finance, capacity building, incubation -- INADEM founded the *Red Nacional del Emprendedor* (National Network for Entrepreneurs) in which entrepreneurs and SMEs register through an internet platform and create links to appropriate public or private programs to which they may apply. Due to a lack of resources, INADEM has not been able to identify a significant number of private sector organizations providing such services. MEPP will work with INADEM to develop a system in which such organizations register, validate and update their information.

CDMX Airport

The Ministry of Transportation and Communication (SCT) and Ministry of Agriculture, Land and Urban Development (SEDATU) requested assistance to promote transparency and accountability in the development of a new airport for Mexico City which would replace the current one in five to seven years. The MEPP team, including staff from IMCO and Abt Associates, would institutionalize civil society monitoring and reporting on the construction and operations of the airport, convening and contributing to a highly transparent civic observatory that would advise the Mexico City International Airport (AICM) working group. President Peña Nieto announced the airport project at the beginning of September. MEPP’s role in the observatory will soon be defined together with Mexico City’s Airport Authority (GACM) and SCT.

Request to support e-commerce

On September 24, MEPP staff met with Elsa Ayala, General Director of Commercial Regulation in the Ministry of Economy, and with Jimena Gómez Pazos, Legal Advisor from the Federal Consumer Protection Agency. The aim of the meeting was to begin consultations on how MEPP could support the federal government’s strategic initiative to increase e-commerce in the country. The counterparts indicated that technical assistance should bring other policy agencies to the table to develop a plan that tackles the most important inhibitors of e-commerce. Participants agreed to hold a follow-up meeting with the National Banking and Securities Commission (CNBV), and possibly the central bank, given the role of the legal framework in e-commerce activities.

Entrepreneurship support consultations

From September 29 to October 1, MEPP staff participated in and organized a visit for Mexico City FONDESOS official Carlos Salazar to two prestigious entrepreneurship development institutions near the border: Arrowhead Center, an NGO linked to New Mexico State University and based in Las Cruces, New Mexico that incubates and develops small businesses, and IC², an incubator/accelerator with international entrepreneurship programs that is based in

Austin, Texas and is linked to the University of Texas at Austin. The purpose of the visits was to learn about programs, analytical tools and administrative procedures used to create incentives for private sector investment in innovative SMEs, as well as effective approaches to promote commercial lending to SMEs. Findings from the visits will inform an activity to create a new FONDESOS program during the second half of MEPP.

3. CONCLUSION

During the period from October 2013 to September 2014 the Mexico Economic Policy Program evolved significantly, deepening and expanding the impact of USAID assistance through activities approved at the beginning of the Program. Through an intensive “learning by doing” process, the MEPP team has come to better understand counterpart priorities and needs, and indeed has helped counterparts to better understand their own governance goals. In an effort to fully achieve the overarching outcomes, MEPP has proposed new sub-activities for the second half of the Program, including efforts to: promote patenting activities through patenting centers, increase procurement transparency of Mexico City’s new airport public work, improve competition by analyzing state regulations that affect competition and implement new and innovative incubation and financing initiatives for entrepreneurs. These initiatives are described in detail in the update Work Plan submitted to USAID on October 31, 2014.

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. Strengthening 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. Streamlining business procedures 2. Assessing online business procedures 3. Understanding obstacles to high impact entrepreneurship 	<ol style="list-style-type: none"> 1. Procurement reform 2. Strengthening regulatory capacity 3. 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. Bankruptcy reform 2. Improving the system for secured transactions 3. Improving contract enforcement through oral trials 4. Increasing financial inclusion by reducing cash-based transactions
<p>Government funds effectively promote private sector development and productivity</p>	<p>Businesses face fewer obstacles for growth</p>	<p>Competition is improved</p>	<p>Regulatory reform improves SME access to private capital</p>	<p>Business transactions are more efficient and reliable</p>
<p>Beneficiaries of GOM spending programs increase product, growth or value added</p>	<p>Costs or time to start up or operate a business are reduced</p>	<p>Prices of goods or services are reduced, or quality and choice are increased</p>	<p>Businesses obtain a higher proportion financing through private capital</p>	<p>Higher volume and number of formal commercial transactions among SMEs</p>
<p style="text-align: center;">Digital Government and Open Data Citizens have greater access to public information and participate in public policy design</p>				

ANNEX 2: Deliverable Datasheets

Title of Deliverable	Activity Name
<p>Program referral tool diagnosis mechanism <i>(Program referral tool)</i></p> <p style="text-align: right;">1</p>	<p>State government SME support</p>
Abstract	Counterpart
<p>Context: Many government programs seek to promote the start-up, growth and consolidation of different types of businesses in Mexico City. However, these efforts are not coordinated, creating information deficiencies for applicants searching for appropriate support.</p> <ul style="list-style-type: none"> • The program referral tool links potential beneficiaries to the most appropriate programs available according to their needs. • Businesses and entrepreneurs respond to a survey and are then classified into one of six types of companies and three growth stages. • The tool provides information about the best fitting programs, including contact details, type of support and government agency in charge. • This deliverable is the main input for the development of the web based application. <p>Keywords: CDMX programs, SMEs, application, e-government.</p>	<p>Mexico City Secretariat of Economic Development (SEDECO)</p>
	MEPP Partner/ Author
	<p>C230</p>
	Date
<p>July 2014</p>	

Title of Deliverable	Activity Name
<p>Diagnosis of the state of value chains in Mexico questionnaire <i>(Value chains)</i></p> <p style="text-align: right;">1</p>	<p>Public sector improves productivity</p>
Abstract	Counterpart
<p>Context: Mexico’s exports are gradually becoming more sophisticated and technology-based, requiring use of more sophisticated inputs and components. To maintain and increase competitiveness, businesses operating in Mexico must use state of the art practices that promote efficient and productive value chains.</p> <ul style="list-style-type: none"> • The survey is divided into seven sections: business profile, strategy, planning, operations, customer support, performance indicators and public policy. • The survey is answered online available to about 300 companies from eight key sectors: consumer goods, automobiles, electronics, pharmaceuticals, commerce, third party logistics, manufacturing and textiles. • A print out friendly version is also made available to facilitate response across departments. <p>Keywords: CDMX programs, SMEs, application, e-government.</p>	<p>Undersecretary of Industry and Trade Ministry of Economy (SE)</p>
	MEPP Partner/ Author
	<p>Abt / EY</p>
	Date
<p>September 2014</p>	

Title of Deliverable		Activity Name
Judicial / regulator diplomado Capacity building from August 18 to September 29		Regulatory Capacity
Agenda		
Context: To strengthen COFECE capacity, MEPP is providing technical assistance in the design and implementation of a competition <i>diplomado</i> for COFECE officials and judges from specialized tribunals.		
Date	Topic	Professor
Aug. 18	Intro to economic and regulatory law	Jose Roldán Xopa -Law PhD
Aug. 20	Introduction to int. competition law	Marianela López-Galdós - IDB
Aug. 25	Mexican regulatory framework	Jose Roldán Xopa - Law PhD
Aug. 27	Intro to competition law (economic principles)	Alexander Elbittar - Economics PhD
Sept. 1	Economic models	Alexander Elbittar - Economics PhD
Sept. 3	Game theory	Alexander Elbittar - Economics PhD
Sept. 4	Keynote Speaker: Spain's National Court Experience	Mercedes Pedraz - Judge
Sept. 8	Collusive behavior I	Lucía Ojeda - CIDE
Sept. 10	Collusive behavior II	Francisco González de Cossío - Economic law analysis JSD
Sept. 22	Case study analysis	Aitor Ortiz - International legal studies LLM
Sept. 24	Relative monopolistic practices, market definition and substantial power	Elisa Mariscal - Economics PhD
Sept. 29	Relative monopolistic practices, market power analysis	Elisa Mariscal - Economics PhD

Title of Deliverable		Activity Name
Judicial / regulator diplomado Capacity building from August 18 to September 29		Regulatory Capacity
Agenda		
Context: To strengthen regulatory capacity, MEPP is providing technical assistance in the design and implementation of a competition <i>diplomado</i> for Federal Telecommunications Institute (IFT) officials.		
Date	Topic	Professor
Aug. 18	Int. Competition Law and Mexico's Legislative Framework	Francisco González de Cossío - Economic law JSD
Aug. 20	Intro to competition and regulation (economic principles)	Alexander Elbittar - Economics PhD
Aug. 25	Natural monopolies	Alexander Elbittar - Economics PhD
Aug. 27	Collusive behavior I	Lucía Ojeda - CIDE
Sept. 1	Collusive behavior II	Francisco González de Cossío - Economic law JSD
Sept. 3	Relative monopolistic practices, market definition and substantial power; market power analysis	Elisa Mariscal - Economics PhD
Sept. 4	Keynote Speaker: Spain National Court Experience	Mercedes Pedraz - Judge
Sept. 8	Types of relative monopolistic practices I	Elisa Mariscal - Economics PhD
Sept. 10	Types of relative monopolistic practices II	Elisa Mariscal - Economics PhD
Sept. 17	Concentrations	Juan Manuel Hernández - COFECE
Sept. 22	Administrative law and legal reasoning I	Jean Claude Tron – Judge
Sept. 24	Administrative law and legal reasoning II	Jean Claude Tron – Judge
Sept. 29	Procedural-regulatory aspects of monopolistic behavior	Carlos Mena - COFECE

Title of Deliverable	Activity Name
<p align="center">Public Challenges Platform <i>(Retos Públicos)</i></p> <p align="right">1</p>	<p align="center">Digital government and open data</p>
Abstract	Counterpart
<p>Context: <i>Retos Públicos</i> is a project created by MEPP and the National Digital Strategy in response to the Federal Government goal to "stimulate innovation of digital services through the democratization of public expenditure", and as a MEPP commitment to develop applications that allow citizens to access public information and participate in public policy design the <i>Retos Públicos</i> project was created.</p> <ul style="list-style-type: none"> • The platform allows small businesses to participate in the procurement process and submit proposals of applications that provide digital solution to public governments. • The platform can be accessed through retos.gob.mx • In total the platform will support five two month challenges and will ultimately become a self-sustainable mechanism to democratize public spending for digital services. <p>Keywords: digital services, applications, innovation, e-government.</p>	<p align="center">Presidencia Coordination of the National Digital Strategy (CEDN)</p>
	MEPP Partner/ Author
	<p align="center">Abt / Codeando México</p>
	Date
<p align="center">June 2014</p>	

ANNEX 3: PMP Matrix

achieved this quarter - QR4 FY14	Targets			Number trained	Cumulative	
	Policy	Institutional Mechanisms	Training		T1	T2
Private Sector Development						
1. Innovation criteria	1		20	68	1	
2. Mexico City SME fund					1	1
<i>a. Risk assessment tool</i>		1				
<i>b. Program referral tool</i>	1					
<i>c. Rules of operation</i>	1					
3. Strengthen INADEM impact			10		1	
<i>a. Re-design Convocatorias</i>	1					
<i>b. Guidance/Manual</i>		1				
4. Public sector productivity			20		1	1
<i>a. Evaluation tool</i>		1		98		
<i>b. Communications strategy</i>	1					
5. Supplier support	1		50			
Business procedures						
6. Streamlining procedures			30			
<i>a. Empresa al instante</i>	1					
<i>b. Municipal obstacles</i>	1					
<i>c. Notaries</i>	1					
7. Online procedures	1					
8. High impact entrepreneurship	1		100			
Competition						
9. Procurement reform						
<i>a. Public works</i>	1					
<i>b. IMSS pricing analysis</i>		1				
<i>c. Digital services</i>	1		100			
10. Regulatory capacity			30		1	1
<i>a. COFECE strategy</i>		1				
<i>b. Finance sector analysis</i>	1					
<i>c. State sectorial analysis</i>	1					
<i>d. Judicial/regulator diplomado</i>		1		1240		
<i>e. Journalist training</i>				60		
Business Financing						
11. Stock market inclusion	1					
12. SME equity	1		50			
Commercial Transactions						
13. Secured transactions		1	20		1	
14. Financial inclusion	1					
Digital Government and Open Data						
15. Applications			150			
16. State open data legal framework	1					
TOTAL	19	7	580	1466	6	3

