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# USAID/Mexico Greater Transparency and Accountability in Mexican Governments

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**QUARTELY PROGRESS REPORT YEAR 5 QUARTER 2  
JANUARY-MARCH 2008**

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## **Executive Summary**

During the Second Quarter of Year 5, Casals Mexico had major achievements related to our program in 2008.

The *Red PyME* (small business policy network) held its first regional forum in Acapulco, Guerrero. The event, which focused on small business challenges in agro-industry, included the participation of public officials from six states nationwide and representatives, Mexico's federal government, and International Organizations. In addition, the Technical Secretariat of the SME Network, Fundacion IDEA, in collaboration with Casals-USAID, developed a work plan and budget for a major study on international best practices of SME policy

The *Red Mexicana de Energía* published the book entitled *Cruzando Límites: México ante los desafíos de sus yacimientos transfronterizos*. It was publicly presented on January 16th and widely distributed amongst opinion makers and public officials. The publication has received significant attention in the media and has helped stir an important debate on the issue of trans-boundary oil and gas reservoirs in particular, as well as private sector participation in the energy sector in general.

Finally, USAID awarded Casals-Mexico a supplemental USD \$450,000 to develop programs to strengthen governance. Casals submitted a revised work program that added components on competition policy, state-level budgetary accountability, and state-level access to public information. The work program was approved in March.

## **Initiatives encountering difficulties**

Due to budgetary and administrative difficulties within the SME Subsecretariat of the Ministry of Economy, it was not possible to enter into a formal agreement to co-finance the evaluation of business incubators and accelerators. When the Subsecretariat was unable to provide assurance that the program would go forward, Casals requested the CTO to authorize transferring the resources (USD 37,000) to another program on international best practices of SME policy. This request was approved. Near the end of the 2nd Quarter, the SME Subsecretariat approached the Network's Technical Secretariat to ask that the co-financed project proceed in the 3rd Quarter. We are currently waiting for a formalized commitment, in the form of an approved cedula (application for program funding from Fondo PyME). If and when this commitment is made, we will review options for supporting the evaluation project with the CTO.

During the first quarter GeoEstrategias presented a proposal to the Municipality of Cuernavaca on the creation of a marketing Atlas. The proposal was well-received and the municipality indicated its willingness to co-finance the project with Casals-USAID. Unfortunately, in February 2008, the municipality's Secretary of Tourism and Economic Promotion was suddenly changed. The atlas project was put on hold while the new Secretary took office and GeoEstrategias did another round of presentations. The proposal has been under review for about

two months. On April 3 GeoEstrategias held a meeting with the new Secretary. She expressed her interest in supporting the project but wants to receive more technical opinions before proceeding. A favorable decision from Cuernavaca is expected early in the 3<sup>rd</sup> Quarter. Once approval is granted, GeoEstrategias will begin their work immediately.

**I-A Competitiveness Network – Support creation and operation of SME Competitiveness Network.**

**Strategic Outcome:**

Network is operational and sustainable through CY 2008.

**Status:** **Green**

**Results narrative**

During the second quarter the SME Network held three planning meetings, two with the general membership and one with the Coordination Unit for State Delegates of the Ministry of Economy. During these meetings Network members agreed that the group should carry out research projects as well as public events focused on specific economic sectors, rather than broad or generic themes. Suggested sectors included agriculture, bio-fuels, tourism and aerospace. Second, participants emphasized the importance of operational relevance to public sector officials who implement SME programs. There was broad agreement that research and speakers sponsored by the Network should avoid presenting “laundry lists” of general achievements. Members agreed that the group’s main contributions will be detailed description of program mechanisms, identification of challenges, and proposals for overcoming obstacles. In our planning meeting with the Economy Ministry, the unit chief expressed a commitment to developing a detailed work program with the Network.

The Network’s major event of the quarter was on February 29, when it collaborated with the Government of the state of Guerrero to hold a conference “AgroPyMEs: Sembrando la Competitividad” (Sowing Competitiveness). The conference was held in Acapulco and was attended by over 200 people. Its main purpose was to explore rural sector policy not only as a social or poverty challenge, but also as a business challenge. Presenters highlighted the obstacles and opportunities for increasing the competitiveness of small agricultural producers and service providers. Speakers included Guerrero state economic development and security secretaries, as well as representatives of the national ministries of Economy, Agriculture and Foreign Relations. Three workshops focused on: value-added production (including coconut and wine processing) commercialization of agricultural goods in supermarkets and export markets, and small business opportunities in bio-fuels. In addition, during a special lunch panel, representatives from USAID and other international donors operating in Mexico described programs that promoted small business development. The US Foreign Agricultural Service also made a presentation.

**Changes in PMP**

None

## Deliverables:

◆ IOA Report activities, Agro-PYME workshop	◆ Agro-PyME_Deliverable-IOA.pdf
◆ COFOCE Presentation, Agro-PYME workshop	◆ COFOCE_Nieto_Agro-PyME_workshop.pdf
◆ COLMEX Presentation, Agro-PYME workshop	◆ COLMEX_Martinez_Agro-PyME-Workshop.pdf
◆ CORFO Presentation, Agro-PYME workshop	◆ CORFO_Albornoz_Agro-PyME_workshop.pdf
◆ Final Agenda, Agro-PYME workshop	◆ Final_Agenda_Agro-PYME_Workshop.pdf
◆ Guerrero's Web Portal Report, Agro-PYME workshop	◆ Gov_webarticle_Workshop_Acapulco.pdf
◆ Iberpyme's Report, Agro-PYME workshop	◆ Iberpyme_Report.pdf
◆ IFC Presentation, Agro-PYME workshop	◆ IFC_Yoder_PyME_Workshop.pdf
◆ IICA Presentation, Agro-PYME workshop	◆ IICA_Pavez_Agro-PyME_Workshop.pdf
◆ Images, Agro-PYME workshop	◆ Images_Agro-PyME_workshop.pdf
◆ INE Presentation, Agro-PYME workshop	◆ INE_Salas_Agro-PyME_Workshop.pdf
◆ International Organizations Program brochure, Agro-PYME workshop	◆ International_Org_brochure_Agro-PYME_workshop.pdf
◆ Invitational Letter, Agro-PYME workshop	◆ Invitational_letter_Workshop_Acapulco.pdf
◆ ONUDI Presentation, Agro-PYME workshop	◆ ONUDI_Bethke_Agro-PyME_Workshop.pdf
◆ Pressclip Agro-PYME workshop	◆ Pressclip_Agro-PyMe_Workshop.pdf
◆ Red Mexicana de Bioenergía Presentation, Agro-PYME workshop	◆ Red_Mex_Bioenergía_De los Rios_Agro-Pyme_workshop.pdf
◆ USAID Presentation, Agro-PYME workshop	◆ USAID_Bauch-_Agro-PyME_Workshop.pdf

## Events

### National Conference

#### Agro-Pymes: Sembrando competitividad

February 29 / Acapulco, Guerrero

150 attendees / Female: 40 / Male: 110

## Publications:

### PMP Indicators:

I-A.1 Number of members

Minimum 15 Outstanding 25

I-A.2 Proposals to change *reglas de operación* in Fondo PyME or state SME program)

Minimum 2 Outstanding 4

I-A.3 Presentations requested by and delivered to public policy actors

Minimum 4 Outstanding 7

**I-B Policy Transfer** – Produce and disseminate policy best practices among state-level development offices.

**Strategic Outcome:**

Mexican states adopt best practices in public programs to improve SME competitiveness.

**Status:** **Green**

**Results narrative**

The SME Network began working agreements to disseminate best practices with two potential partners. First, the Network’s technical secretariat, Fundacion IDEA and Casals-USAID, worked with the Development Minister of the state of Baja California to design and evaluate a program to foster cooperation among small business providers and large corporations. The government’s outreach to the Network represents an important recognition of the group’s technical capacity. Second, the Economy Ministry’s director of the European Union’s SME support program (PIAPYME) invited the Network’s technical secretariat to monitor, document and contribute to the development of the program’s selection criteria. We will follow up and formalize both initiatives in the 3<sup>rd</sup> Quarter.

**Changes in PMP**

None

**Deliverables:**

◆	◆
◆	◆

**Events**

**Publications:**

None

**PMP Indicators:**

I-B.1 Policy practices made available through transfer mechanism or site

Minimum 2 Outstanding. 4

I-B.2 Number of Sedeco proposals evaluated

Minimum 1 Outstanding 3

**2-A SME Program Indicators** – Support SE efforts to create and operationalize new competitiveness indicators for “business incubator” and “business accelerator” programs.

**Strategic Outcome:** Yellow

SE adopts new benchmarks or alters rules of operation in order to improve the effectiveness of *incubadoras* and *aceleradoras* programs.

**Status:**

**Results narrative**

Due to budgetary and administrative difficulties within the SME Subsecretariat of the Ministry of Economy, it was not possible to enter into a formal agreement to co-finance the evaluation of business incubators and accelerators. When the Subsecretariat was unable to provide assurance that the program would go forward, Casals requested the CTO to authorize transferring the resources (USD 37,000) to another program on international best practices of SME policy. This request was approved.

Near the end of the 2<sup>nd</sup> Quarter, the SME Subsecretariat approached the Network’s Technical Secretariat to ask that the co-financed project proceed in the 3<sup>rd</sup> Quarter. We are currently waiting for a formalized commitment, in the form of an approved *cedula* (application for program funding from Fondo PyME). If and when this commitment is made, we will review options for supporting the evaluation project with the CTO.

**Changes in PMP**

None

**Deliverables:**

◆	◆
◆	◆

**Events**

None

**Publications:**

None

**PMP Indicators:**

2-A Benchmarks or rule changes formally proposed to Secretaria de Economía  
Minimum 2 Outstanding 3

## 2-B IMCO study on factors affecting the survival of SMEs.

### Strategic Outcome:

Create awareness about the appropriate conditions for survival of SMEs in different economic sectors, as well as factors that promote or undermine cooperation between large and small firms.

Status: **Green**

### Results narrative

IMCO carried out a considerable amount of research on Mexican SMEs during the 2<sup>nd</sup> quarter and delivered a slide presentation and research summary. The presentation is posted on IMCO's home page. The summary of findings addresses: 1) a statistical snapshot of SMEs in the Mexican economy; 2) Obstacles and weaknesses in comparative perspective; 3) necessary conditions for improved performance in the sector; 4) public policies for a developmental (as opposed to poverty reduction) impact on SMEs. IMCO will elaborate on and present these findings in the 3<sup>rd</sup> and 4<sup>th</sup> quarters.

### Changes in PMP

None

### Deliverables:

♦	♦
♦	♦

### Events

None

### Publications:

None

### PMP Indicators:

2-B Presentation of findings delivered to forum with public sector officials

Minimum 2 Outstanding 4



## 2-C Research on international SME policies

### Strategic Outcome:

Disseminate knowledge of international experiences of public sector programs to improve competitiveness of SMEs

Status: **Green**

### Results narrative

During the 2<sup>nd</sup> Quarter the Technical Secretariat of the SME Network, Fundacion IDEA, in collaboration with Casals-USAID, developed a work plan and budget for a major study on international best practices of SME policy. The cases will focus on small and medium-size firms, rather than micro-enterprises. Each case will address issues that the SME Network has identified as important for Mexico, including: selection criteria for beneficiaries, innovative mechanisms for changing the productive behavior of businesses, and performance indicators of competitiveness. It was agreed that field work in each country would be necessary. Researchers will be responsible for collecting data and relevant documents, interviewing program officials and beneficiaries, and identifying a program actor who can present findings in Mexico. We identified likely cases in: Brazil, Chile, Colombia, Ireland, Italy, Taiwan and the U.S. Finally, Fundacion IDEA and Casals identified qualified researchers to carry out this work.

Casals produced a draft contract with Fundacion IDEA. The contract is currently under review by the contractor and Casals Headquarters. During the 3<sup>rd</sup> quarter the contracted will be approved and Fundacion IDEA will undertake field work and begin writing.

### Changes in PMP

None

### Deliverables:

◆ Attach draft contract. See Barb.	◆
◆	◆

### Events

None

### Publications:

### PMP Indicators:

2-C Presentation of findings delivered to forum with public sector officials

Minimum 2 Outstanding 4



## 2-D SME Marketing Atlas

### Strategic Outcome:

SMEs utilize socio-economic data to make informed decisions about where to locate businesses

Status: **Yellow**

### Results narrative

During the first quarter GeoEstrategias presented a proposal to the Municipality of Cuernavaca on the creation of a marketing Atlas. The proposal was well-received and the municipality indicated its willingness to co-finance the project with Casals-USAID. Unfortunately, in February 2008, the municipality's Secretary of Tourism and Economic Promotion was suddenly changed. The atlas project was put on hold while the new Secretary took office and GeoEstrategias did another round of presentations. The proposal has been under review for about two months. On April 3 GeoEstrategias held a meeting with the new Secretary. She expressed her interest in supporting the project but wants to receive more technical opinions before proceeding. A favorable decision from Cuernavaca is expected early in the 3<sup>rd</sup> Quarter. Once approval is granted, GeoEstrategias will begin their work immediately.

### Changes in PMP

None

### Deliverables:

◆ Barb will request relevant documentation from GeoEstrategias.	◆
◆	◆

### Events

None

### Publications:

None

### PMP Indicators:

2-D

Analytical tool disseminated to Sedecos through Red PyME (e.g., policy transfer institution)

Yes

No

**3-A Energy Network's White Paper** – Support Mexican Energy Network's evolution from event-based program to development of technical proposals and legislative advisory role.

**Strategic Outcome:**

Legislators and public officials formally consider reform options that emerge from Network activities.

**Status:** **Blue**

**Results narrative**

On January 16, the *Red Mexicana de Energía* and *Foreign Affairs en Español* launched the book *Cruzando Limites: México ante los desafíos de sus yacimientos transfronterizos* (Crossing Frontiers: Mexico Faces the Challenges of its Transboundary Oil Fields). There was a press conference to launch the book on the same day. The book was written by four members of the energy network, and focuses on Mexico's access to potentially large deep-sea oil reserves in an area of the Gulf of Mexico shared with the United States and some Caribbean nations. The event, which was held at ITAM, began with a technical presentation of the transboundary dilemma by Juan Pardinás. Senator Ruben Camarillo (PAN) then gave a keynote speech in which he argued that gaining access to Mexico's undersea petroleum wealth was far more important than outdated ideological arguments about national sovereignty. Camarillo, who sits on the Senate's Energy Commission that is currently debating reform proposals for Pemex, emphasized that the original constitutional changes underlying President Cardenas' 1938 oil nationalization actually permitted contracts in which private companies could be paid with resources. It was not until 1959 that the Constitution was amended to forbid such contracts – for reasons which, almost 50 years later, no longer apply. While explicitly rejecting any effort to “privatize” Pemex, Camarillo called for a return to the *cardenista* legal framework that governed the original state-run oil sector. Following the senator's keynote, the book's authors gave presentations on their respective chapters. Lourdes Melgar discussed diplomatic challenges surrounding international treaties with the U.S. Miriam Grunstein emphasized the need for creativity and the acquisition of expertise in order to formulate effective “unitization” contracts, a legal instrument in which companies negotiate resource-sharing arrangements. Finally, David Enriquez explored several dimensions of international maritime law that could provide Mexico with options for dealing with the U.S. in potential transboundary disputes.

During the 2<sup>nd</sup> Quarter the book was distributed to key officials at Presidencia, the Ministry of Foreign Relations, and the Ministry of Energy, as well as all members of the Senate Committees on Energy, Public Finance, Foreign Relations and North America, amongst others. Senator Rosario Green, the president of the Foreign Affairs Committee on North America, requested 60 copies to be distributed amongst all 33 PRI senators and staff and its implications discussed during their closed-doors legislative planning meeting which took place on January 30-31. Discussion of the book, and of the underlying theme, has been featured prominently in the Mexican press, including major reviews in *Enfoque* (weekly supplement of *Reforma*), *Mundo de Petroleo* and *Energía a Debate*.

In addition, the Energy Network held several planning meetings to identify topics for future white papers. Likely topics will include: a diagnostic of Mexico's energy sector, private sector contracts, renewable energy and electricity reform.

On February 14, author Lourdes Melgar presented findings from the book to at a meeting of the Mexican Council on Foreign Relations (Comexi), which included high level energy officials and legislators. On February 18, the authors of *Cruzando Límites* met privately with the Secretary of Energy Georgina Kessel and the Sub-Secretary of Hydrocarbons Mario Gabriel Budebo to discuss the book and implications for Mexican energy policy. During the next quarter, authors will present their findings in additional forums both in Mexico and the United States.

### Changes in PMP

None

### Deliverables:

◆ Sample of thank you letters received	◆ Agradecimientos.pdf
◆ <i>Punto de Acuerdo</i> from Senator Manuel Velasco where co-author Lourdes Melgar is cited.	◆ Velasco-Punto_de_Acuerdo.pdf
◆ <i>Punto de Acuerdo</i> from Senator Rosario Green on the issue.	◆ Green-Punto_de_Acuerdo.pdf
◆ Press conference. Notes published the day after the press conference was held.	◆ Press_Conference-Cruzando_Limites.pdf
◆ Press highlights on the subject. Since the book was published and presented in public, the authors gave numerous interviews and a wide array of news covered the issue of trans-boundary oil and gas.	◆ Press_clips.pdf
◆ <i>Cruzando Límites</i> (published version)	◆ CRUZANDO_LIMITES.pdf
◆ Extensive reviews published in <i>Enfoque</i> , <i>Energía a Debate</i> and <i>El Mundo del Petróleo</i>	◆ Reviews.pdf
◆ Authors have been invited to present their findings in major forums. During this quarter, On February 14, the Mexican Council on Foreign Relations (Comexi) had a meeting with top level officials and legislators on the topic.	◆ LM-Comexi-14feb.pdf

### Events

None

### Publications:

*Cruzando Límites: México ante los desafíos de sus yacimientos transfronterizos*

**PMP Indicators:**

3-A.1 Network presents findings to legislators and/or public sector energy officials.

Minimum 1 Outstanding 2

**3-B Energy Network's Transfer** – Promote institutional sustainability of Mexican Energy Network.

**Strategic Outcome:**

Technical Secretariat of Mexican Energy Network is transferred to new institution and has operational capability through CY 2008.

**Status:** **Blue**

**Results narrative**

The transferral took place during the First Quarter.

**Changes in PMP**

None

**Deliverables:**

♦	♦
♦	♦
♦	♦

**Events**

**Publications:**

None

**PMP Indicators:**

3-B.1 Transfer of Network activities to a Mexican institution

Yes            No

3-B.2 Evaluation of sustainability and institutional commitment of technical secretariat is carried out and documented.

Yes            No