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**MEXICO**

# QUARTERLY REPORT JANUARY - MARCH 2010

**USAID/MEXICO COMPETITIVENESS PROGRAM**

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

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

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# QUARTERLY REPORT JANUARY I – MARCH 31, 2010

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



### DISCLAIMER

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

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# INTRODUCTION

The USAID/Mexico Competitiveness Program seeks to enhance competitiveness by promoting more effective policy design, implementation and evaluation across three governance areas: environmental management, small business promotion, and precursor and factor markets including financial services, renewable energy and water service. The Program will build on prior USAID efforts in Mexico to achieve sustainable reforms by improving transparency, strengthening civil society participation, and promoting accountability. This report highlights achievements during the second quarter of Program FY2010, January 1 – March 31, 2010, with a focus on technical activities, administrative issues that affect implementation, and grants management. The Competitiveness Program seeks to strengthen governance to improve economic competitiveness and environmental management, and to preserve biodiversity. The Program's three governance areas address:

## 1. Environmental management

**Public policy to protect ecosystems and generate alternative incomes for local communities:** Build and/or support institutional capacity to develop and implement public policies addressing biodiversity and climate change; support citizen-based monitoring and evaluation of Mexico's forests and forestry policies; advise on greening local government; assist land use planning to protect biodiversity.

**Value Chains for Sustainably Produced Goods:** Remove obstacles to competitive forestry; promote sustainable value chains in high biodiversity areas.

**Payment for Environmental Services:** Promote pilot projects for Reduced Emissions from Deforestation and Forest Degradation (REDD) and carbon capture; advise on and support payment for hydrological services in key watersheds.

**Ecotourism.** Develop public use plans for ecotourism; undertake sector planning; assist with site development; provide training and capacity-building for community members.

## 2. Efficient and effective economic governance

**Public policies and programs for competitiveness and innovation:** Undertake SME research and disseminate innovation policies;

**Strengthening Competition Policy:** Support Mexican Network on Competition and Regulation; provide technical assistance to Federal Competition Commission (CFC) and Federal Judiciary

## 3. More efficient factor and precursor markets

**Capital for micro and small enterprises:** Increase access to capital for productive investment by improving microfinance regulation and strengthening the capacity of microfinance institutions.

**Water service:** Improve the quality and sustainability of urban water service through technical assistance and dissemination of best practices; assist municipal providers in explaining the value of water.

**Renewable energy (RE):** Identify municipal bottlenecks in renewable energy projects; promote self-supply and cross-border export of RE; develop productive projects in rural areas that require renewable energy; foster the market for sustainable housing.

# SUMMARY OF ACCOMPLISHMENTS

In February 2010, the USAID/Mexico Competitiveness Program received additional obligated funding of USD \$1.9 million. Accordingly, a great deal of our effort during the second quarter has focused on identifying new or expanded activities to carry out during the second half of the fiscal year. These are summarized below for each component under “Work Plan Expansion.” At the same time, we have continued carrying out planned activities in each component and have continued to achieve results for the Program.

## Component 1. Environmental Management

- Supported CONANP’s celebration of Wetlands’ Day. CONANP director Ernesto Enkerlin acknowledged USAID’s contribution, the publication that was distributed at the event.
- Presented preliminary findings of the research carried out to date by the Program to elaborate the “State of Forests Report”. Follow-up discussion with CONAFOR officials focused on methodology and conclusions.
- Workshop on sustainable fisheries (through alternative income opportunities) among eight fishing cooperatives living in or near the Encrucijada Biosphere Reserve in Chiapas.
- Workshop on REDD by Program grantee CEIBA. The workshop brought together key forest sector stakeholders: National Forestry Commission, Ministries of Environment and Social Development, National Commission for Biodiversity Knowledge and Use, the World Bank, and key environmental NGOs, to discuss policy coordination and effectiveness.
- Meeting of the Pixquiac Watershed Council (through grant from Program grantee SENDAS) to formalize the public-private mechanism that receives payment for environmental services from government authorities to support sustainable economic activities.
- Work Plan Expansion:
  - a. Agreement with SEMARNAT to support electronic reporting of climate change mitigation data from federal agencies and to develop software interface to monitor achievement of climate change goals among federal agencies;
  - b. Agreement with SEMARNAT to support Mid-Term Review of Mexico’s Low Carbon Strategy; and
  - c. Agreement with Government of Mexico City (GDF) to support implementation of the city’s Environmental Management System.

## Component 2. More Effective Economic Governance

- Presentation of SME policy manual at meeting of AMSDE in Tabasco, Villahermosa (by Fundacion IDEA).
- Exploratory trip to Baja California (Mexicali) to establish scope of technical assistance to design a value chain program with the state energy commissioner and SEDECO.

- Seminar on Intellectual Property Protection for High Technology Sectors: “The Role of Science and the Judiciary in Mexico City.” Three day event co-organized with International Judicial Academy and Mexico’s National College of Judges.
- Launch of CleanTech Challenge 2010. Presentation of 64 renewable energy and resource efficiency projects from small firms that will compete for prize money and financing.
- Work Plan Expansion: Subcontract with Mexican Competitiveness Institute (IMCO) to develop
  - a. Budget transparency website for federal spending programs based on [www.recovery.gov](http://www.recovery.gov) ;
  - b. North American competition benchmark for key economic sectors.

### **Component 3. More Efficient Factor and Precursor Markets**

- Program reached agreement with Mexico’s National Commission on Banking and Securities (CBNV) on TA for microfinance regulation and development of field manuals for MFIs.
- Presentation at the international conference “Microfinance regulation: Who Benefits?” held in Dhaka, Bangladesh, comparing MFI regulatory frameworks among Latin American countries (presentation delivered by Component 3 lead). Program also financed participation of CBNV official working on financial inclusion, which included a study tour of Grameen Bank, focusing on regulatory practices.
- Continued activities for improving the Municipal water providers competitiveness, which include:
  - a) Develop a contest on the “culture of water”, which will be launched in April and finalized in November;
  - b) Develop a guide to planning, implementation and control of social campaigns related to water delivery;
  - c) Design and implement survey on water service satisfaction. Data to be used for water utility social communication program. The consultants are in process of being hired.
- The initiative for behavior change communication (BCC) experts from Abt was submitted to INFONAVIT officials and will be submitted to the INFONAVIT general director in April; this initiative includes a public communications strategy and TA support to evaluate new green housing technologies that could be included in the future.
- Completed information gathering from other countries about benchmarks, laws and standards (best practices) for energy conservation and renewable energy equipment.
- Cross-border renewable energy: Program assisted USAID, the US Embassy economic section (Mexico) and the Council on State Governments in the organization of a January 25 roundtable on the cross-border sale of renewable energy from Baja California to California. The roundtable was held at the Wilson Center in Washington DC. Assistance included:
  - a) Providing contacts for Mexican experts to consult with on legal and regulatory issues related to cross-border sale of energy;
  - b) Contributing to agenda and selecting key questions;
  - c) COP and Research Director participated in roundtable and led follow-up meeting on Jan 26 with selected participants to define next steps;

- d) Drafted three-page summary of event, which was distributed by the Wilson Center to all participants.
- Work Plan Expansion: Agreement with GDF to provide TA for:
  - a) certification program of sustainable building (validation of indicators);
  - b) auditing strategy for solar water heating standard;
  - c) certification of solar equipment; and
  - d) cost-benefit analysis of green construction.

A more detailed description of **technical activities** carried out in the quarter is provided in Annex 2.

## Participant Training

DATES		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
January 7, 2010		New York City	Sustainable City Finance			
January 19, 2010	January 22, 2010	Estación Chajul, Selva Lacandona	Workshop on maintenance			
January 25, 2010	January 30, 2010	Ejido Galacia, Selva Lacandona	Workshop on boat driving	4	s	
February 2, 2010		Yuriria, Gto.	Global Wetlands Day	100	80	20
February 10, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	7	5	2
February 16, 2010		Ejido Veinte Casas, Selva El Ocote, Chis.	Workshop on training on land management efficiency	70	66	4
February 17, 2010	February 23, 2010	Estación Chajul, Selva Lacandona	Workshop on cooking	6		6
February 18, 2010		Ejido Armado Zebadúa, Selva El Ocote, Chis.	Workshop on training on land management efficiency	55	51	4
February 20, 2010	February 21, 2010	Ejido Galacia, Selva Lacandona	Workshop on tourism guides	5	5	
February 22, 2010	February 25, 2010	San José, Costa Rica	Agricultural Value Chain Finance Seminar	3	2	1
February 22, 2010	March 1, 2010	Estación Chajul, Selva Lacandona	Workshop on computer	5	5	
March 2, 2010	March 7, 2010	Ejido Galacia, Selva Lacandona	Workshop on tourism guides	15	10	5
March 3, 2010	March 5, 2010	Mexico City	El Papel de la Ciencia en la Actividad Jurisdiccional	70	55	15
March 4, 2010	March 8, 2010	Estación Chajul, Selva Lacandona	Workshop on cooking			
March 8, 2010	March 10, 2010	Tapachula, Chis	Fisheries workshop	43	40	3
March 8, 2010		Ejido Ing. Armado Zebadúa, Ocozocuautila, Chis.	Workshop on identification of local abilities to improve	19	17	2
March 10, 2010	March 12, 2010	Nuevo Paraiso, La Concordia, Chiapas	Exchange of experiences between the Network of Biosphere El Ocote Producers and the Comon Yaj Nop Tic, S.S.S.	15	13	2
March 10, 2010	March 12, 2010	Ejido Galacia, Selva Lacandona	Workshop on maintenance			
March 11, 2010		Mexico City	REDD Event	27	14	13
March 14, 2010	March 17, 2010	Ejido Galacia, Selva Lacandona	Workshop on boat driving			



March 15, 2010	March 17, 2010	Bangladesh	Microfinance Regulations: Who benefits?	1	1	
March 15, 2010	March 19, 2010	Puerto Escondido, Oax.	Frist training on Ecoturism for CONANP	40	25	15
March 16, 2010	March 18, 2010	Cofre de Perote, Ver.	Watershed authority PES workshop	109	90	19
March 17, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	9	8	1
March 18, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	13	9	4
March 24, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	9	8	1
March 24, 2010	March 26, 2010	Mexico City	Ramsar Convention Meeting	31	19	12
March 27, 2010	March 30, 2010	Marqués de Comillas, Chiapas	Exchange of experiences between ejidos on Payment per Environmental Services of the REBISO and Marqués de Comillas	8	8	
March 31, 2010		Mexico City	Workshop on diagnostic and evaluation of "technical apicultural skills"	10	10	0
<b>TOTAL</b>				<b>674</b>	<b>541</b>	<b>129</b>

# GRANTS

## Second Cycle Request for Applications (RFA)- Contracts & Administration

Aside from grant renewals described in the previous quarterly report, grants were awarded in the second quarter to the following NGOs based on the results of the RFA:

- *Pronatura Sur A.C.* will receive funding to carry out three projects: (1) analysis of environmental public policy in Selva Zoque; (2) strengthening commercialization of *palma camedor* as an alternative source of income in environmentally vulnerable regions of Chiapas, and (3) a feasibility analysis of implementing a payment for environmental services (PES) system targeted at the tourism industry in San Cristobal de las Casas, Chiapas.
- *Fondo de Conservación el Triunfo A.C. (FONCET)* will receive funding to create capacities and strengthen the organization of honey producers in the *El Triunfo* biosphere reserve, Chiapas.
- *SENDAS A.C.* will work with the communities that live on the Pixquiac River watershed to: (1) consolidate the public-private watershed council and improve its communication campaign; (2) train and strengthen local community management capabilities; (3) evaluate the economic impact and feasibility of environmentally friendly economic activities to supplement income for communities in the watershed.
- *UYOOLCHÉ A.C.* and the municipality of Felipe Carrillo Puerto (state of Quintana Roo) will invest in monitoring and training of local stakeholders in land use planning and carbon capture to eventually sell bonds to the tourism sector in Cancún and Riviera Maya.
- *Centro Agroecológico San Francisco de Asis A.C. (CASFA)* will work with the National Commission for Natural Protected Areas (CONANP) to educate fishermen in the Encruijada Reserve area about sustainable fishing practices.
- *Fundación Comunitaria Oaxaca A.C.* will develop the Network of Wetlands in Oaxaca by studying the economic impacts and market size of current and potential environmentally compatible activities and creating dialogue mechanisms with authorities.

By the end of the second quarter all grant agreements were completed and grant staff have visited all grantee offices to review projects and explain USAID administration and procurement procedures.

Peter Keller, USAID Regional Biodiversity Advisor, and Paul Schmidtke, USAID Regional Environmental Officer, conducted field visits to the REDD pilot being developed by AMBIO in Chiapas and the PES project being developed by CCMSS in the State of Mexico. They also met with grantees FONCET and PRONATURA SUR in Chiapas.

## Deliverables

- CEIBA
  - presented its first and second deliverables on a framework to address legal implications of REDD at the community level. This included findings (*memoria*) from a high-level workshop where representatives from CONAFOR, SEDESOL, SEMARNAT, other government agencies and NGO representatives participated in a dialogue on effective mechanisms to implement REDD in Mexico.
  - organized a workshop on the institutional challenges of implementing a REDD strategy. CEIBA also submitted its second deliverable.
- AMBIO completed its first report for the second phase of the REDD pilot in *Selva el Ocote*, Chiapas. The document includes training and best practices exchange programs in sustainable agricultural practices and fire management for the pilot communities and incorporation of two new communities for the second phase. CONANP reviewed the technical report and provided feedback.
- CAFSA organized a sustainable fisheries workshop for producers in the Encrucijada Biosphere Reserve, held in Tapachula, Chiapas. The grantee submitted its first deliverable.
- SENDAS completed its first report, which included results of the first meeting of the watershed council, a GIS diagnostic of the region, market analysis of economic activities (such as ecotourism) and first draft of the watershed's communications strategy.
- Natura y Ecosistemas Mexicanos presented its first deliverable to develop ecotourism in Marqués de Comillas, Chiapas, and to provide ecotourism training to the community of Galacia.

# PROGRAM TOPICS REPORT-OUT

## SUPPORT TO USAID AND U.S. EMBASSY

- At the request of USAID, Program staff contributed to several USAID/US Embassy briefings with talking points, suggestions and contacts :
  - Hill briefing on Mexican economic development issues;
  - Possible TIES programs ;
  - Provided information and contacts to USAID Labor Assessment team ;
  - Financial system issues for meeting of Mexican Bankers Association;
  - Remittance programs in SEDESOL.
  - Briefing on energy and climate change USAID to environmental officers and consultant John Garrison ;
  - Briefing on sustainable landscapes and climate change to USAID environmental officers and consultant Manuel Estrada ;
  - Briefing on Mexican energy reform and renewable energy agenda for John Elkind, Principal Deputy Assistant Secretary for International Affairs, DOE ;
  - Talking points on women and poverty in Mexico for ambassador's remarks on International Women's Day.
- Support to USAID health initiative: At the written request of the Mission Director and COTR, the Program has used its financial and logistical resources to arrange travel for several Mexican citizens participating in a Panamerican Health Organization activity taking place in Ciudad Juarez, Chihuahua and El Paso, Texas. This activity is not included in our Work Plan but is a USAID priority. USAID/Mexico has informed the Program that a special grant to an NGO will eventually cover future expenses for the activity. While the grant is being processed and approved, the Mission has indicated that Program assistance is essential to enable the time-sensitive activity to move forward, and has expressed USAID's appreciation for the Program's responsiveness.
- Program submitted three candidates for International Visitors Leadership Program.

## MEETINGS WITH USAID

- Briefed COTR and Mission Director on Program's renewable energy and climate change activities, as well as possible activities to be carried out in Ciudad Juarez. The latter includes an assessment of renewable energy potential for municipal self-supply and export of RE to US border cities.
- Received guidance from COTR and USAID consultant Margaret Kromhout regarding reporting content and format. COTR followed up with written guidance memo.
- Received guidance from RCO Dave Brown on criteria for sole-sourcing subcontracts.
- COP and CI team held meetings with PASA team and USAID environment team to present USAID environmental program to GoM counterparts and to refine Mexico Competitiveness Program/PASA cooperation in FY2010.

## ENVIRONMENTAL COMPLIANCE

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

## **MEXICO COMPETITIVENESS PROGRAM IN USAID WEEKLY REPORTS**

The most important indicators of Program effectiveness are found in the Performance Management Plan. However, we are also tracking a separate indicator that suggests the relative importance of Program activities for USAID itself. While it is not possible to create a perfect indicator of this subjective idea, we use content included in the USAID/Mexico Weekly Reports (WRs) as a proxy. During the second quarter of FY 2010 (January-March 2010), Mexico Competitiveness Program activities accounted for 44 percent of all WR items

## **CONCLUSION**

The second quarter saw a great deal of activity needed to effectively utilize additional resources obligated for FY 2010. That work involved extensive consultations with GoM stakeholders to define specific medium-term goals, as well as the selection (and administrative processing) of five subcontracts and dozens of consultants. Expanded and new activities in the workplan of the Mexico Competitiveness Program position USAID as a significant international player in supporting Mexico’s evolving climate change agenda and renewable energy agenda. The expanded workplan also builds upon past USAID work fostering resource conservation and environmental sustainability in municipal government. By working closely with public sector authorities committed to achieving substantive improvements in environmental governance, the Program is well-positioned to obtain results in its wider mission scope.

# ANNEX I: SUMMARY OF WORKPLAN PROGRESS

## COMPONENT I. ENVIRONMENTAL MANAGEMENT

### CI SUBCOMPONENT 1: PUBLIC POLICY

1.1 Institutional Capacity for Public Policies on Biodiversity and Climate Change	Initiated development of the monitoring system for the federal government's Special Program on Climate Change. Identified sub-contractor to support the mid-term review on climate change. Conducted interviews to select consultants to work with CONANP to modify the legal framework on protected areas. Initiated discussions with the government of Yucatan on potential Program assistance to develop the State Program on Climate Change.
1.2 Evaluation of Mexico's Forests and Forest Policies	Met with CONAFOR to discuss report's preliminary findings and obtain access to government data sets.
1.3 Greening Government	Agreed with GDF on the scope of technical assistance to implement an Environmental Management (EMS) system and identified consultants.
1.4 Land use planning	CentroGeo made advances in the development of a territorial approach for the Usumacinta Region in Mexico, which were discussed with CONABIO, CONAFOR, and CONANP. Pronatura started work on the evaluation of agricultural, livestock and environmental policies in the Zoque Jungle.

### CI SUBCOMPONENT 2: VALUE CHAINS FOR SUSTAINABLY PRODUCED GOODS

2.1 Removing obstacles to competitive forestry	10 case studies on community forestry enterprises are underway. The Program also discussed progress with CONAFOR.
2.2 Sustainable value chains	Grantees initiated projects in different areas in Chiapas on value chains for organic honey, responsible fisheries and <i>palma comedor</i> .

### CI SUBCOMPONENT 3: PAYMENT FOR ENVIRONMENTAL SERVICES

3.1 REDD and Carbon Storage	Grantee CEIBA held a workshop with decision-makers and NGOs to discuss institutional challenges for the development of REDD projects. AMBIO incorporated a third community into the REDD pilot project in El Ocote and identified training needs for participating communities. Grantee U'YO'OLCHE developed Project Identification Note for carbon sequestration project in Quintana Roo.
3.2 Payment for hydro services	Carried out a survey of 1,400 stakeholders to determine willingness to pay for environmental services in five states in the Lerma – Chapala watershed. Grantee SENDAS initiated project to consolidate the watershed council of the Pixquiac River, develop value chains on sustainable forestry and ecotourism, and build environmental awareness.

### CI SUBCOMPONENT 4: ECOTOURISM

4.1 Public use plan Montes Azules	Grantee Natura y Ecosistemas Mexicanos continued the preparation of the public use plan.
4.2 Ecotourism in Marques de Comillas	Grantee Natura y Ecosistemas Mexicanos continued the preparation of the Ecotourism Plan.
4.3 Ecotourism in Ejido Galacia	Grantee Natura oversaw training for the <i>ejido</i> , development of a communication plan for the ecotourism site, and the organization under a formal organization for business purposes.
4.4 Ecotourism training and planning in wetlands	First training on ecotourism for CONANP staff and communities living in wetlands in the Coast of Oaxaca. Supported the first Meeting of the Regional Initiative for the Preservation and Rational Use of Mangroves in Spanish-speaking countries of the Ramsar Convention.

## COMPONENT 2. ECONOMIC GOVERNANCE

### **C2 SUBCOMPONENT 1: PUBLIC POLICIES AND PROGRAMS FOR COMPETITIVENESS AND INNOVATION**

1.1 Innovation strategy and SME research	<p>During FY 2010 all Mexico Competitiveness Program activities concerning public sector support for SMEs or innovation have been merged under a single activity “Public Policies and Programs for Competitiveness and Innovation.” (1) Presentation of USAID- financed Manual of Best Practices for SME support Programs at AMSDE annual meeting; (2) Exploratory trip to Baja California to assess the feasibility of creating a program for renewable energy value chains ; (3) Support for the Cleantech Challenge 2010, which presented 64 renewable energy and resource efficiency projects; (4) prepared T&amp;M contract with IMCO for: a) a geo-tagged web based instrument to track the money allocated to federal programs and b) series of presentations for legislators and legislative aides to strengthen dialogue on development and competitiveness issues; and (5) T&amp;M contract with Fundación IDEA to support four activities related to the innovation program of Secretaría de Economía: a) Human capital requirement for emerging sectors/industries; b) Incentive scheme to foster innovation within the National System of Academic Researchers; c) Research paper on innovative SMEs in Mexico; and 4) Mapping of all federal innovation programs.</p>
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### **C2 SUBCOMPONENT 2: COMPETITION POLICY**

2.1 Competition Network	<p>(1) meeting with specialists from Organization for Economic and Development Cooperation to discuss competition issues; (2) Coordination of a single response to a public survey launched by the national competition regulator; (3) Participated in closed-door roundtable with other think tanks and federal officials to discuss norms for procurement in the energy sectors; (4) Advanced concrete recommendations for reforming Mexican Competition Law; and (5) Finished book on Mexican regulators and paper concerning regulation and parcel delivery in Mexico.</p>
2.2 TA to CFC/Judiciary	<p>CFC requested technical assistance to document five best international practices concerning the promotion of a culture on competition. The consultant hired to help CFC on litigation of competition cases continues to work on case-building. As part of the Program’s expansion plan IMCO will develop a North American Index of Competition and Consumer Rights. CFC has also requested help from the Program to translate from Spanish to English several pieces of competition legislation that will appear on their Web page. The national regulator has also requested TA to produce a white paper on sector-specific concentration. As part of the TA with the Federal Judiciary, the Program supported the roundtable given by the International Judicial Academy to Mexico’s National Colleges of Judges on the importance of enforcing intellectual property rights in the biotechnology and pharmaceutical sectors.</p>

## COMPONENT 3. EFFICIENT PRECURSOR AND FACTOR MARKETS

### **C3 SUBCOMPONENT 1: GREATER ACCESS TO MICROFINANCE**

1.1 Access to microfinance	<ul style="list-style-type: none"> <li>• Program reached agreement with Mexico’s National Commission on Banking and Securities (CNBV) on TA for microfinance regulation and development of field manuals for MFIs and. Consultants have been identified.</li> <li>• Presentation at the international conference “Microfinance regulation: Who Benefits?” held in Dhaka, Bangladesh, (presentation delivered by C3 lead). Program also financed participation of CNBV official working on</li> </ul>
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	financial inclusion, which included a study tour of Grameen Bank.
<b>C3 SUBCOMPONENT 2: IMPROVED WATER MANAGEMENT</b>	
2.1 Improved water management	CNA requested support from the Program to develop guidelines for the National Water Program 2013-2018. CNA and the Mexcio Competitiveness Program are developing SOWs and identifying consultants.
<b>C3 SUBCOMPONENT 3: RENEWABLE ENERGY PROMOTION</b>	
3.1 Removing obstacles to renewable energy projects	<ul style="list-style-type: none"> <li>• RE training for municipalities.</li> <li>• Agreement with GDF to provide TA for (a) certification program of sustainable building; (b) auditing strategy for solar water heating standard; (c) certification of solar equipment; and (d) cost benefit analysis of green construction. Consultants have been identified.</li> <li>• Cross-border renewable energy: Program assisted USAID, US Embassy (Mexico) economic section and Council on State Governments in the organization of a January 25 roundtable on cross-border sale of renewable energy from Baja California to California (held at the Woodrow Center, Washington, DC)</li> </ul>
3.2 Green mortgage	Program presented behavior change communication (BCC) proposal to INFONAVIT officials (includes public communications strategy and TA support to evaluate green technologies). Presentation to INFONAVIT Director General planned for April.
<b>C2 SUBCOMPONENT 4: LABOR FORCE PRODUCTIVITY</b>	
4.1 Labor productivity	Main partner for this activity has not delivered an SOW or established union or industry partners. Results for FY2010 are in doubt. If no progress by middle of 3 <sup>rd</sup> quarter, COP will recommend cancellation of this activity.

# ANNEX 2: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT DURING THE FIRST QUARTER

## Color legend

<b>Blue:</b>	Completed
<b>Green:</b>	On Track
<b>Yellow:</b>	Behind schedule
<b>Red:</b>	Encountering difficulties

# COMPONENT I. ENVIRONMENTAL MANAGEMENT

## CI Subcomponent I: Public policy

### Program Goal

Adopt improvements in public policies related to improved environmental management and mitigation of and adaptation to climate change (including policy design, rules of operation, regulation, standards, implementation practices, monitoring and evaluation).

### Year 2 Goals

1. (a) Support modifications in the legal framework and administrative practices to facilitate the implementation of at least two priority environmental public policies; (b) Develop a system and train federal officials to gauge progress in implementing the Special Program on Climate Change; and (c) Develop a mid-term climate change/low-carbon strategy.
2. (a) Develop society-based resources to assess the state of Mexico's forests and how public policies affect them; and (b) share methodology and findings with CONAFOR.
3. Implementation of the Environmental Management System in the Government of Mexico City (GDF).
4. Create and operate networks that generate, disseminate and apply new tools and models that improve territorial approaches to land use, environmental management and biodiversity conservation.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

During the second quarter, the Mexico Competitiveness Program focused on supporting efforts to strengthen environmental governance by providing targeted technical assistance aimed at developing public policies and carrying out reforms identified as priorities by the Federal, State, and Local Governments. Key achievements for this subcomponent include the following:

- Development of a PECC Monitoring System. The Special Program on Climate Change (PECC) describes actions that the Federal Public Administration will carry out between 2009 and 2012 to mitigate emissions of greenhouse gases, facilitate adaptation to climate change, and support cross-sectoral coordination for climate change responses. The Program initiated the development of a web-based system that will enable SEMARNAT and other agencies to track progress in PECC implementation, take corrective actions (if needed) and improve decision-making. During this quarter, the Program initiated the

system's first phase, which is expected to be finalized by September 2010.

- Support the mid-term review on climate change. The Federal Government is initiating a series of analytical work to inform the development of a mid-term climate change program, for the period between 2012 (when the PECC ends) and 2030. The Program will support some of these studies, particularly those focusing on developing National Appropriate Mitigation Actions (NAMAs) in key economic sectors and elaborating the institutional structure for the adoption of Monitoring, Reporting, and Verification protocols. During this quarter, the Program agreed with SEMARNAT on the scope of the work that will be supported by the Program and also identified the Center of Clean Air Policy (CCAP) as the organization with the capacity to carry out the work.
- Strengthening the legal framework for management of protected areas (PAs). CONANP has identified a series of reforms needed in various legal instruments that would enable more efficient planning and better regulation of economic activities within PAs. During this quarter, the Program agreed with CONANP on the scope of the technical assistance that will be provided and the process that will be followed to build consensus among key stakeholders on the proposed reforms, and interviewed several candidates to work as consultants supporting CONANP's efforts.
- Sub-national climate change programs. The Program met with representatives from various sub-national governments to identify opportunities for technical assistance in the preparation of state-level climate change programs.
- Civil-society Based Evaluation of Mexico's Forests. The Program is working with civil society organizations to collect, analyze and disseminate information on the state of Mexico's forests and different policies that affect them. This effort is geared towards increasing the accountability of the forestry sector, as well as awareness among different audiences (legislative, forest owners, general public, etc.). During this quarter, the Program met with CONAFOR to discuss the methodologies and data being used.
- Greening Government. The Government of Mexico City (GDF) intends to adopt an Environmental Management System (EMS) that will help to reduce its greenhouse gas emissions and improve its environmental footprint, as well as save economic resources by making more efficient use of water, energy and office supplies. The EMS will be a high-level policy, supported by the Mayor, and will be mandatory for all the government's agencies. During this quarter, the Program agreed on the scope of the assistance that will be provided and identified the consultants for this activity.
- Land Use Planning. The Government of Mexico considers land use plans as key instruments to protect the environment and natural resources. The Program is supporting the development of such plans in high biodiversity areas that face significant threats and where there is strong Government and NGO ownership for their use. During this quarter, sub-contractor CentroGeo advanced in the development of a territorial approach for the Usumacinta Region in Mexico, which was discussed with CONABIO, CONAFOR, and CONANP. In addition, Grantee Pronatura initiated work on the evaluation of agricultural, livestock and environmental policies in the Zoque Jungle. Progress in the development of a land use plan for the Copper Canyons in the State of Chihuahua has been slow because authorities have focused all of their attention on issues related to the deterioration of the security situation.

### **Changes in PMP**

PMP indicators were modified as a result of the work plan expansion.

**Deliverables:**

- Presentation on PECC Monitoring System.
- Draft “Report on the State of Mexico’s Forests” and presentation made to CONAFOR.
- Progress Report on the proposal of a territorial approach for the Usumacinta Region.

**Events**

Presentation on PECC Monitoring System at the meeting of Climate Change liaisons, held in Cocoyoc, on March 29, 2010.

**Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Total	Achieved Q2	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	13	0	0
Number of <b>people receiving USG supported training</b> in natural resources management and/or biodiversity (male/female)	167 / 60	0	0
Number of <b>public-private dialogue mechanisms utilized</b> as a result of USG assistance	2	0	0
Number of <b>mechanisms for external oversight of public resource use</b> supported by USG assistance implemented	1	0	0

## CI Subcomponent 2: Value Chains for Sustainably Produced Goods

### Program Goal

Increase the capacity of community forestry enterprises to compete in open markets by adopting best practices in production and commercialization.

### Year 2 Goals

1. Produce analysis of obstacles to competitive forestry and recommendations. Initiate public dialogue that reviews findings with key forestry stakeholders; and
2. Produce a strategy to strengthen productive capacities, foster markets for sustainable production, and commercially mainstream sustainable products.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Second Quarter Costs (USD)

### Results narrative

The Government of Mexico acknowledged that the conservation and sustainable use of the country’s natural resources require that rural communities develop the capacity to sustainably produce goods and services taking advantage of such resources. The Program is working with CONAFOR, CONABIO, and CONANP, the federal agencies that are implementing programs and policies to improve livelihoods of rural communities through the sustainable use of natural resources. Key achievements of this sub-component during this quarter include the following:

- Removing Obstacles to Competitive Forestry. The Program continued the preparation of case studies of community forestry enterprises to identify the main obstacles they face. Preliminary reports for an enterprise in Chihuahua as well as a draft assessment of the furniture market were prepared.
- Sustainable Value Chains in the Mesoamerican Biological Corridor. CONABIO was informed that they will receive a GEF grant to implement a project on sustainable value chains in areas of high biodiversity. The Program agreed with CONABIO on the technical assistance that will be provided to develop a strategy on how the grant will be used and develop an adequate baseline and monitoring system to ensure that the project contributes to biological connectivity in Southern Mexico. The Program also supported rural communities working with CONABIO in the development of a business plan for a forestry nursery. In addition, the Program supported the participation of CONABIO staff in the international seminar on “Agricultural Value Chains Finance”. The two people that participated made recommendations to strengthen some of the programs being developed by the Mesoamerican Biological Corridor.
- Sustainable Value Chains in Natural Protected Areas. Three grants awarded to different

NGOs will focus on helping communities to develop value chains for goods that can contribute to biodiversity conservation. Each of these three projects is working closely with a natural protected area managed by CONANP. The projects, which were initiated during this quarter, are: (i) Pronatura Sur will work with camedor palm (ii) Fondo de Conservación el Triunfo (FONCET) will support organic honey production; and (iii) the Centro de Agroecología San Francisco de Asís (CASFA) will promote responsible fisheries in the Encrucijada Biosphere Reserve. CASFA organized a first 3-day workshop to train fishermen in responsible fisheries. A total of 40 participated in the event, which was the first of various trainings that will be provided.

### Changes in PMP

PMP indicators were modified as a result of the work plan expansion.

### Deliverables:

- Business plan for a community-owned forestry nursery.
- Summary report on workshop on sustainable fisheries organized by CASFA.

### Events

- Workshop on sustainable fisheries organized by CASFA, Tapachula, Chiapas (Mar 10)

### Publications:

None.

### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity.	14	0	0
Number of public-private dialogue mechanisms utilized as a result of USG assistance	2	0	0
Number of <b>people receiving USG supported training</b> in natural resources management and/or biodiversity (male/female)	100 / 10	40 / 3	40 / 3

## CI Subcomponent 3: Payment for Environmental Services (PES)

### Program Goal

Create sustainable market for payment of environmental services

### Year 2 Goals

1. Implementation of a pilot REDD project in the Reserve of Selva del Ocote and recommendations for the development of institutional mechanisms that will enable small landowners to participate in the REDD market; and
2. Design and propose mechanisms for payment for hydrological services in watersheds supplying water to key economic and biodiversity areas in Mexico.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

The Government of Mexico has initiated several programs for payment of environmental services (PES), as part of its strategy to value these services and provide compensation to landowners who manage them sustainably. CONAFOR, using resources generated by water charges, has developed a national program, while also supporting efforts to develop regional markets for PES systems. In addition, other governmental agencies and NGOs have spearheaded efforts to create sustainable and transparent PES systems. Key achievements of this sub-component during the second quarter include the following:

- Institutional Challenges of REDD. Grantee CEIBA, as part of its work on the institutional challenges of implementing a REDD strategy, organized a workshop that brought together key forest sector stakeholders to discuss policy coordination and effectiveness. Participants included representatives from CONABIO, CONAFOR, SEMARNAT, the World Bank and several NGOs.
- REDD Pilot in Chiapas. Grantee AMBIO, working jointly with CONANP and ECOSUR, continued its REDD pilot in the Ocote Biosphere Reserve and incorporated one more community in its program. AMBIO worked with the communities to identify the areas where they need technical assistance to improve their livelihoods and reduce risks of forested areas.
- Carbon Sequestration in Quintana Roo. Grantee U'yool'ché initiated a project that will focus on monitoring and training locals in land use planning and carbon capture to eventually sell carbon bonds to the tourism sector in Cancún and Riviera Maya.
- Watershed management in Veracruz. SENDAS A.C. initiated a project with the communities that live on the Pixquiac River watershed in Veracruz to: a) consolidate the public-private watershed council and improve its communication campaign; b) train and strengthen local communities' management capabilities; c) evaluate the economic impact and feasibility of



environmentally friendly economic activities to supplement income for the communities in the watershed.

- Watershed management in Lerma – Chapala. As requested by CONAGUA, the Program initiated an economic assessment of willingness to pay for environmental services in urban locations around the Lerma – Chapala Watershed, including administering close to 1,400 previously-tested surveys in four states.

### Changes in PMP

PMP indicators were modified as a result of the work plan expansion.

### Deliverables:

- First and second deliverables by CEIBA.
- First deliverable by AMBIO.
- First deliverable by SENDAS.
- Two progress reports on the Lerma – Chapala Watersheds.

### Events

- Watershed authority PES workshop (Mar 16-18).
- Workshop on training on land management efficiency, Ejido Armado Zebadúa, Selva El Ocote, Chiapas. (Feb 18)
- Workshop on training on land management efficiency, Ejido Veinte Casas, Selva El Ocote, Chiapas (Feb 16)

### Publications:

None.

### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	10	0	0
Number of people receiving USG supported training in natural resources management and/or biodiversity (male/female)	162 / 18	232 / 13	232 / 13

## CI Subcomponent 4: Ecotourism

### Program Goal

Ecotourism providers adopt best practices and develop a coherent, regional commercialization strategy.

### Year 2 Goals

- Produce and propose a public use plan that balances biodiversity conservation with nature-based tourism development in the Montes Azules Biosphere Reserve;
- Develop a regional ecotourism plan for Marques de Comillas and present to key local stakeholders for review and dialogue;
- Galacia ecotourism site begins operation; and
- Strengthen the capacity of authorities and communities to develop a regional ecotourism plan in a high biodiversity area.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

The Government of Mexico recognizes the potential of ecotourism as an economic activity that can improve livelihoods, generate resources, and contribute to conservation goals. CONANP has adopted the “National Strategy for the Sustainable Development of Tourism and Recreation in Mexico’s Protected Areas” and the “Program for Tourism in Protected Areas 2007 – 2012”. CONANP is also the focal point for the Ramsar Convention on Wetlands of Global Importance and is therefore supporting the development of ecotourism activities in selected wetlands areas. This sub-component has focused on supporting CONANP to implement these instruments.

Three program activities focus on southern Chiapas and complement each other to promote an integrated approach to ecotourism development. These are:

- Public Use Plan for Montes Azules. The Montes Azules Biosphere Reserve protects the major portion of the remaining Lacandona Jungle, one of Mexico’s richest and most threatened ecosystems. Grantee Natura y Ecosistemas Mexicanos’ work is supporting the development of a Public Use Plan (PUP) to define the areas where tourism may take place and establish how the associated impacts will be monitored and responded to. During this quarter, Natura continued the preparation of the PUP, ensuring that it complies with the draft manual prepared by CONANP and the USFS to guide PUP development.
- Ecotourism Plan for Marques de Comillas. The aim of grantee Natura y Ecosistemas Mexicanos’ work is to promote, in an area adjacent to Montes Azules, a community-based ecotourism project that positively contributes to conservation of forested areas. During this

quarter, Natura continued the preparation of the plan, focusing on identifying the different business skills and training that community members need to provide high-quality ecotourism services.

- Ecotourism in Ejido Galacia. The activity focuses on developing the capacity of community members from the ejido to operate an ecotourism hotel. Ejido Galacia is adjacent to Montes Azules and has important biological connectivity functions with the Reserve. During this quarter, grantee Natura y Ecosistemas Mexicanos' work focused on continuing the training of ejido members, development of a communication plan for the ecotourism site, and the formal constitution of the ejido members in an organization for business purposes.

In addition, the following activities were carried out with CONANP:

- Ecotourism in Wetlands. The first of a series of trainings on ecotourism took place on the coast of Oaxaca, during March 15 – 19. The training focuses on developing the capacity of CONANP staff and community members living in wetland areas to provide professional ecotourism guiding services. Neither CONANP staff nor the communities have a formal training in this area and thus, USAID support is helping them to build the necessary capacities to attract the growing number of tourists that visit Oaxaca's coasts to enjoy its natural amenities. In addition, the Program supported the organization of the first Meeting of the Regional Initiative for the Preservation and Rational Use of Mangroves in Spanish-speaking countries of the Ramsar Convention. The Initiative will facilitate regional cooperation to exchange best practices for wetland management.

### **Changes in PMP**

PMP indicators were modified as a result of the work plan expansion.

### **Deliverables:**

- First deliverable from Natura y Ecosistemas Mexicanos on Ecotourism Plan for Marques de Comillas.
- First deliverable from Natura y Ecosistemas Mexicanos on Ecotourism in Ejido Galacia.
- Report from first ecotourism training in wetlands.

### **Events**

- First ecotourism training in wetlands, held in Puerto Escondido, Oaxaca, during March 15 – 19, 2010.
- First Meeting of the Regional Initiative for the Preservation and Rational Use of Mangroves in Spanish-speaking countries of the Ramsar Convention, held in Mexico City, during March 24 – 26, 2010.

### **Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	5	0	0
Number of people receiving USG supported training in natural resources management and/or biodiversity (male/female)	101 / 24	71 / 40	71 / 40
Number of <b>public-private dialogue mechanisms utilized</b> as a result of USG assistance	2	0	0
Number of policies, regulations and administrative procedures <b>implemented</b> that improve the sustainable management of natural resources and biodiversity	1	0	0

# COMPONENT 2. ECONOMIC GOVERNANCE

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

### Program Goal:

Federal and state government agencies adopt and implement best practices in SME and innovation programs. Specifically, public sector development policies/programs in Mexico adopt rational selection criteria and performance-based indicators.

### Year 2 Goals.

- Produce proposals on best practices for innovation policy and disseminate to key public policy actors, especially at state government level;
- Produce three proposals for best practices and rules of operation in SME and/or competitiveness programs ; and
- Competitiveness index e-portal from the Sub secretariat of Competitiveness is available to the public.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

During Fiscal year 2010 all MCP activities concerning public sector support for SMEs related to research or implementation, as well as state or Federal programs aimed at fostering innovation have been merged under a single tag dubbed “Public Policies and Programs for Competitiveness and Innovation”. With the increase in January in the Mexico Competitiveness Program fiscal year budget, activities related to public policies and programs for competitiveness and innovation have been expanded to include value chains, creation of websites with information on federal support programs and presentations for legislators and legislative aides on topics related to competitiveness.

On January 21, Alberto Saracho, Executive Director of Fundación IDEA, presented the Manual of Best Practices to support SME programs during the meeting of the Mexican Association of State Economic Secretaries (AMSDE) in Villahermosa, Tabasco. The presentation was part of the Mexico Competitiveness Program’s efforts to improve the effectiveness of Mexican business support programs, especially those focused on innovation. The meeting was attended by the 32

State Economic Secretaries, as well as high-ranking officials from the Federal Government, including the ministers of Economy, Labor and Social Development, as well as the General Director of the National Council of Science and Technology (CONACYT) and the Director of PROMEXICO, Mexico's main export promotion agency.

On January 25, in a roundtable discussion on "Creating a Regional Renewable Market in the Californias," hosted by the Woodrow Wilson International Center for Scholars in Washington DC, the Energy Commissioner from Baja California expressed his interest in the development of a renewable energy "value chain" for Mexican SMEs. On February 25, an exploratory trip from Program staff to Mexicali, Baja California was undertaken. The staff met with The Energy Commissioner, the State Undersecretary of SMEs and several researchers at the University of Baja California to assess the feasibility of creating a value chain capable to supply goods and services to this growing, innovative and high value-added sector. In the next quarter most of the Program's effort toward this activity will concentrate on finding consultants capable to undertake a complete cataloguing of firms established in Baja that would be a part of a renewable energy value chain.

On March 12, Cleantech Challenge Mexico launched its 2010 program, presenting 64 renewable energy and resource efficiency projects from small firms that will compete for prize money and financing. The Challenge is organized by Mexican NGO "Impulso Verde" and supported by over 20 firms, governmental agencies, and international and non-governmental organizations. Its goal is to develop clean technology in wind and solar energy, water, sustainable agriculture, recycling, green IT and green construction. Projects will compete in a round robin tournament until four winners are selected in July. Martha Delgado, Mexico City's Secretary of Environment, Kai Bethke Director of the United Nations Industrial Development Organization, and Luis Aguirre from the US-based NGO Green Momentum, spoke about the unique role of the Challenge in promoting innovative Mexican businesses in this emerging sector. Pablo González Cid, Director of the widely admired Mexican firm Café Punta del Cielo, encouraged entrepreneurs to invest in green technology while Everardo Camacho, Director of venture capital firm Capital Indigo, lamented Mexico's low generation of innovation relative to other developing countries, and proposed basic criteria that a venture fund analyzes to finance projects. Over 250 people attended the event.

On Wednesday March 9, COP and Program Staff had a phone conversation with Gwen Davidow, Director of Global Corporate Programs at the World Environment Center (WEC). WEC is an NGO that advances sustainable development through the use of green business practices. During this exploratory talk it was brought to the table that WEC could develop guidelines for a program targeted at SMEs that will help "to green" their processes of production. Nonetheless an agreement to seal this partnership will be contingent on two conditions: 1) A consultation with SEMARNAT (and/or Federal Undersecretary of SME) to see if they are willing to endorse this program; and 2) finding the adequate financial vehicle to support the work that needs to be performed.

As part of the expansion program, the Mexico Competitiveness Program has submitted to USAID a T&M contract in late march with the think tank IMCO (Mexican Institute for Competitiveness) that comprises two activities. The first activity is a geo-tagged web-based instrument to improve fiscal transparency and accountability in Mexico to track the use of federal programs (such as Fondo PyME) in contracts, grants, loans and subsidies and/or transfers to state and municipal government. This activity which takes as a model the US program dubbed "recovery.com" is aimed at improving support program/policies according to best practices derived from international experience. The T&M contract also comprises a series of presentations for legislators, legislative aides and civil society to strengthen the dialogue on

development issues supported by the USAID/Mexico Competitiveness Program. The results of these two activities will be reported during the fourth quarter.

The technical assistance for the innovation program at the undersecretary of industry and commerce has been fixed and comprises the following activities: 1) a study that will analyze national human capital requirements to fulfill the needs of emerging sectors/industries; 2) the design of an incentive scheme that will promote innovation within the National System of Academic Researchers (Sistema Nacional de Investigadores: SNI); 3) a research paper that analyzes and identifies innovative SMEs, the challenges they face in Mexico and the strategies used to overcome them; and 4) a mapping of all Federal innovation programs. Most results of these activities will be reported in the fourth quarter.

### Changes in PMP

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### Deliverables:

◆ AMSDE Agenda Meeting
◆ Cleantech Challenge Agenda

### Events

AMSDE Conference (Jan 21)  
 Cleantech Challenge (March 12)

### Publications:

None.

### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of people receiving USG supported training in SME policy development (male/female)	105/45	25/7	116/46
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness.	5	0	0
Number of private-public mechanisms for consultation utilized	2	0	1

## C2 Subcomponent 2: Competition Policy

### **Program Goal:**

Government of Mexico becomes more effective in curbing monopolies and eliminating anti-competitive practices.

### **Year 2 Goals.**

- Produce and promote an agenda on competition with the incoming legislature; and
- CFC officials and Mexican judges acquire economic and legal skills through training on criteria for deciding competition cases.

### **Environmental Regulation Compliance**

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

**Status: GREEN**

### **Results narrative**

This narrative includes activities under the Programs assistance to the Competition Network and technical assistance to CFC and the judiciary.

As part of the ongoing effort to strengthen the civil society presence in issues concerning competition, the Mexican Network on Competition and Regulation (a USAID/Mexico Competitiveness Program grantee) held a series of meeting with specialists from international organizations, Mexican academics, government officials and national legislators. On February 10 the Network met with Sean Ennis, Senior Economist from OECD at the Competition Division in Paris and Agustin Ros, Economist from OECD participating in the implementation of the competition toolkit at CFC. The meeting was instrumental to exchange points of view on what is still missing in Mexico’s Federal Law to improve competition and to assess CFC performance as a regulator.

On March 17 seven members of the Network gathered to coordinate a single response to the public survey launched by CFC as a means to improve its mechanism of transparency and public oversight for its resolutions. This is the first time the Network offered such a coordinated response as a group. On March 18, six members of the Network participated in a closed roundtable organized by Mexican university CIDE and Think Tank Fundar to discuss with officials from the Federal government some of the strengths and weaknesses of the recent norms implemented for procurement in the energy sector. This is a first meeting of a series of roundtables aimed at improving competition in this key sector of the economy.

In March the Network presented a policy paper which gathered opinions from seven experts of the Network that advances concrete recommendations for reforming Mexico’s Federal Law on Economic Competition and for increasing the effectiveness of CFC. This paper was sent to targeted members of Congress and it was instrumental to position the Network in the legislative



debate that is ongoing in the Committees of Competitiveness and Economy concerning changes to the Federal Competition Law. In addition the policy brief entitled “Proposals for Change” written this past quarter by Víctor Frías was presented by the author in the Competitiveness Committee on March 24.

In March, the Network received two new manuscripts that will be published in the next quarter. The first manuscript is the final version of a new book entitled “Strengthening Mexican Regulators” while the second is a policy paper concerning regulation and parcel delivery in Mexico.

During this quarter two consultants were hired to produce specialized papers concerning competition and regulation. The first paper will provide regulators and energy consumers with a greater understanding of the role played by Mexico’s main energy regulator (CRE) in reducing anticompetitive practices of the state oil company. The second paper will be a summary of seminars directed to judges and law clerks aimed at developing a proposal for transparency criteria to use while ruling in competition, intellectual property and industrial secret cases.

During this quarter the General Direction of Institutional Relations and International Affairs at CFC has asked the USAID/Mexico Competitiveness program for technical support to document five best international practices concerning the promotion of a culture on competition. The consultant which has already been hired will develop a strategy leading to an adaptation/implementation of each best practice to the Mexican context. In addition the legal consultant specialized in litigation of competition cases and with experience on Amparo (appeals) that was hired last quarter for CFC continues to work on litigation case building.

As part of the expansion, the Program submitted to USAID a T&M contract in late March with the think tank IMCO (Mexican Institute for Competitiveness) that comprises one activity that is strongly endorsed by CFC. IMCO is proposing to develop a North American Index of Economic Competition and Consumer Rights (NAICOM) to improve economic competition and consumer rights in North American economies. NAICOM is an interesting tool to promote a more competitive regional business environment that will strengthen Mexico’s capacity to compete in the global economy.

CFC has also submitted to the Program a request to translate from Spanish to English several pieces of competition legislation (prevailing law, proposed modification of the law and internal rules of operation at CFC) that will be displayed on its web page. In addition the competition regulator has also requested a technical assistance from the Mexico Competitiveness Program to hire a consultant to produce a White Paper with guidelines concerning horizontal concentrations. These guidelines will be extremely useful in the case of mergers and acquisitions of competitors.

As part of the TA with the federal Judiciary to improve criteria and skills on cases related to competition and protection of intellectual property, on March 3-5, the International Judicial Academy (IJA) and Mexico’s National College of Judges held a roundtable seminar on “The Role of Science and the Judiciary in Mexico City.” The three day event, which was supported by the USAID/Mexico Competitiveness Program, addressed the importance of enforcing intellectual property rights, and focused on the biotechnology and pharmaceutical sectors, where developing and bringing new products to market can take longer than 15 years. Over 50 judges and clerks from the Mexican National College of Judges attended.

During this quarter the Program hired a consultant that will write a script for a video that increases the awareness of government authorities and the general public of weak consumer

protection, its implications for everyday life, and possible reforms to strengthen consumer protection. Once produced, this video will be used as a critical piece of information to help the passage of collection actions suits in Mexico.

**Changes in PMP**

None.

**Deliverables:**

None.

**Events**

International Judicial Academy (IJA) Seminar (March 3-5)

**Publications:**

Proposal: Alejandro Faya “Inversión extranjera en paquetería, mensajería y transporte de carga: ¿Resistencia o estado de derecho?

**PMP Indicators:**

Indicators (Year 2)

	Target	Achieved Q2	Cumulative FY 2010
Number of Mexican officials (judges and CFC staff) receiving USG supported training (male/female)	70 / 30	55/15	76/24
Number of mechanisms for external oversight of public resource use supported by USG assistance implemented	1	0	0
Number of regulations, policies and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	8	1	2

# COMPONENT 3. EFFICIENT PRECURSOR AND FACTOR MARKETS

## C3 SUBCOMPONENT 1: Greater Access to Microfinance

### Program Goal:

Best practices in credit analysis and risk management are mainstreamed among MFIs and MFI support organizations. Public sector organizations that support the MFI sector improve regulations that promote access to capital.

### Year 2 Goals:

- MFIs are trained in credit criteria and risk management that enable them to build stronger credit portfolios; and
- The Microfinance Network provides input and recommendations for more effective regulation and public policies to CNBV, national development banks and other government organizations that influence resource allocation in microfinance.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

- Program reached agreement with Mexico’s National Commission on Banking and Securities (CNBV) on TA for microfinance regulation and development of field manuals for MFIs and. CNBV and the Program are currently working on hiring the consultants.
- USAID supported the participation of representatives from CNBV in the international conference “Microfinance Regulations: Who Benefits?” held in Dhaka, Bangladesh with three purposes:
  - Presentation at the international conference “Microfinance regulation: Who Benefits?” held in Dhaka, Bangladesh, comparing MFI regulatory frameworks among Latin American countries (presentation delivered by C3 lead).
  - Financed participation of CNBV official working on regulatory practices to improve financial inclusion. Conference provided information about international best practice, especially in Asia and Africa.
  - Study Tour of Grameen Bank focused on understanding the institution’s methodology for credit and savings, and how to inculcate a “payment culture” among borrowers.
- Mexico Competitiveness Program is working with ProDesarrollo and COLCAMI to develop MFI training on RE projects

### Changes in PMP

None

**Deliverables:**

None.

**Events**

Conference “Microfinance Regulations: Who Benefits?” held in Dhaka, Bangladesh  
Study tour to Grammen Bank

**Publications:** None.

**PMP Indicators:**

◆ Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of public-private dialogue mechanisms utilized as a result of USG assistance	1	1	0
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	2	0	0
Number of microfinance institutions receiving USG supported training (male/female)	14 / 6	0 / 0	0 / 0
Number of MFI clients (rural microenterprises) receiving USG supported training (male/female)	17 / 8	0 / 0	0 / 0

## C3 Subcomponent 2: Improved Urban Water Management

### Program Goal:

Enhanced *competitiveness* (defined as the efficient operations and cost-effectiveness) of municipal water utilities through knowledge development, training, and adoption of competitiveness indicators; and greater public-private sector dialogue on wastewater management.

### Year 2 Goals:

- Municipal water providers adopt competitiveness indicators to improve their efficiency; and
- CONAGUA has resources and data required to negotiate effectively with industries and rural producers on the implementation of wastewater treatment measures.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

- CNA requested support from the Program to develop guidelines for the National Water Program 2013-2018; the Program and CNA are currently developing the SOWs for this work.

### Changes in PMP

None.

### Deliverables:

None.

### Events

None.

### Publications:

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of municipal water providers receiving USG supported training (male/female)	27 / 3	0 / 0	0 / 0
Number of policies, regulations and administrative procedures <b>implemented</b> that improve economic competitiveness	2	3	3
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	3	0	0

## C3 Subcomponent 3: Renewable Energy Promotion

### Program Goals:

(1) MFIs participate in GOM (and independent) projects to provide access to energy for off-grid rural communities; (2) Improve awareness and technical understanding of decision-makers and the public on the need for improved regulation and promotion of renewable energy; (3) Housing developers and public sector agree on standards for green mortgage package.

### Year 2 Goals:

- (1) Link GOM efforts to encourage development of small scale rural renewable energy projects to microfinance opportunities; (2) Inform legislators and the public about the shortcomings of the existing legal framework; (3) Present best practices for renewable energy promotion to municipal and state governments.
- Support the development of standards for the Federal Government's Green Mortgage Program. Contribute to the development of a model that includes other partners.

### Environmental Regulation Compliance

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

Status: **GREEN**

### Results narrative

- Prepared draft summary of cross-boundary renewable energy roundtable held in Washington on Jan. 25. Language was approved by US embassy and sent to the Wilson Center for publication/dissemination.
- Presentation to GDF Secretary of Environment on Program's strategy to support certification of the City's Sustainable Building Program, as well as an evaluation of the implementation of the City's solar energy standard. Selection of 15 consultants. The SOW has been developed with GDF and the consultants are in the process of being hired.

### Changes in PMP

None.

**Deliverables:**

**Events**

Roundtable on cross-border renewable energy, Woodrow Wilson International Center for Scholars, Washington, DC, January 25, 2010.

**Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of MFIs receiving USG supported training on credit analysis of renewable energy projects (male/female)	8 / 2	0 / 0	0 / 0
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	7	0	0
Number of public sector officials receiving USG supported training in energy regulation, benefits and promotion (male/female)	45 / 5	0 / 0	0 / 0



**C3 Subcomponent 4: International best practice for industry/labor force productivity agreements**

**Year 2 Goal.**

Increased awareness of union and industry leaders about the mutual benefits that can be obtained through productivity agreements. The adoption of such agreements can lead to greater investment of time and capital in workforce training and development.

**Status:** **RED**

**Results narrative**

Main partner for this activity has not delivered an SOW or established union or industry partners. Results for FY2010 are in doubt. If no progress is made by the middle of 3<sup>rd</sup> quarter, COP will recommend cancellation.

**Changes in PMP**

None

**Deliverables:**

**Events**

None.

**Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of union and industry leaders receiving USG supported training on productivity agreements (male/female)	8 / 0	0 / 0	0 / 0
Number of policies, regulations and administrative procedures drafted and proposed that improve economic competitiveness	1	0	0