

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

MEXICO

**PUBLIC MANAGEMENT AND TRANSPARENCY FOR COMPETITIVENESS
PROGRAM II**

(ME-L1322)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Pedro Farias (IFD/ICS), Project Team Leader; Javier Reyes (IFD/ICS), Alternate Project Team Leader; Carlos Guaipatin (IFD/CTI), Alternate Project Team Leader; Francisco Estrazulas (INT/TIN), Alternate Project Team Leader; Nicolás Dassen, Guillermo Lagarda, Claudia Suaznabar, Michelle Manzur, Sonia Rojas, Alejandra Aguilar, Eliezer Olivares, and José Luis Hernández (IFD/ICS); Gastón Pierri (SPD/SDV); Mónica Lugo (LEG/SGO); Mónica Maday (INT/INT); Edna Miranda (CID/CME); Miriam Garza and Ariel Rodriguez (VPC/FMP); Nidia Hidalgo and Gina Andrade (SCL/GDI); and Raimundo Arroio (Consultant).

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ABBREVIATIONS

CNARTyS	Catálogo Nacional de Trámites y Servicios [National Catalog of Government Transactions and Services]
CNMR	National Regulatory Improvement Council
CONAMER	National Commission for Regulatory Improvement
ECG	Evaluation Cooperation Group
EEE	Expediente Electrónico Empresarial [Electronic Business File]
ENMR	Estrategia Nacional de Mejora Regulatoria [National Regulatory Enhancement Strategy]
ETS	Expediente de trámites y servicios [Government Transactions and Services File]
ICT	Information and communications technology
IMPI	Mexican Institute of Industrial Property
LGMR	Regulatory Improvement Act
MSMEs	Micro, small, and medium-sized enterprises
OECD	Organisation for Economic Co-operation and Development
PBL	Policy-based loan
PBP	Programmatic policy-based loan
PROREFORMA	Programa de Reforma a Sectores Prioritarios [Priority Sector Reform Program]
PROSECO	Programa Sectorial de Economía [Economic Sector Program]
PROSIMPLIFICA	Programa de Simplificación de Cargas Administrativas [Program to Streamline Administrative Responsibilities]
SARE	Sistema de Apertura Rápida de Empresas [Expedited System for Starting a Business]
SMEs	Small and medium-sized enterprises
USMCA	United States-Mexico-Canada Trade Agreement
VECS	Ventanilla de construcción simplificada [Streamlined construction window]
WEF	World Economic Forum

PROJECT SUMMARY

MEXICO PUBLIC MANAGEMENT AND TRANSPARENCY FOR COMPETITIVENESS PROGRAM II (ME-L1322)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
United Mexican States			Amortization period:	20 years
Executing Agency:			Disbursement period:	12 months
Ministry of Economy			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital):	500 million	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	500 million	100	Weighted average life:	12.75 years
			Approval currency:	U.S. dollar
Project at a Glance				
Project objective/description: The general development objective of the programmatic series is to help increase the country's competitiveness. The specific development objectives are to: (i) reduce the cost of interactions between the government, individuals, and entrepreneurs; and (ii) promote a more inclusive business climate, particularly for women entrepreneurs; This operation is the second of two contractually independent but technically linked operations under the programmatic policy-based loan modality.				
Special contractual conditions precedent to the first and only disbursement of the loan proceeds: The first and only disbursement of the second operation in the programmatic series will be contingent on: (i) fulfillment of the policy reform conditions as established in the policy matrix and the policy letter ; and (ii) fulfillment of the other conditions set out in the respective loan contract (paragraph 3.3).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 This is the second and final operation in a programmatic series under the programmatic policy-based loan (PBP) modality. The first operation, approved in 2021 for a total of US\$700 million (loan [5419/OC-ME](#)), supported a set of regulatory, technology, and administrative measures to help increase the country's competitiveness through the specific objectives of reducing the cost of interactions between the government, individuals, and entrepreneurs and promoting a more inclusive business climate. To achieve these objectives, it supported the following components: (i) institutional alignment, coordination, and governance, with the objective of implementing an institutional governance framework to contribute to a better business climate; (ii) digital tools for information management, to promote the development and use of digital tools for information access and support for transactions between governments, companies, and individuals; (iii) administrative streamlining and regulatory improvements, to promote regulatory improvements and streamlining; and (iv) transparency and trust, with the objective of fostering trust among individuals, entrepreneurs, and the government through greater transparency and less arbitrary government inspections.
- 1.2 **Macroeconomic context.** In recent years, the Mexican economy has been severely affected by external and domestic forces, yet the country's macroeconomic policies have preserved fundamentals consistent with the objectives established for this programmatic series. GDP grew at an average rate of 2.3% between 2016 and 2018 but contracted 0.2% in 2019. The economy was weakened by the severe impact of the COVID-19 pandemic in 2020, which triggered an 8.2% contraction in GDP. After the significant decline in economic activity, the economy grew 4.8% in 2021. Despite a recent slowdown, the International Monetary Fund projects economic growth of 2% in 2022. Though the economy continues to recover, remaining on a positive growth trend, it is not expected to return to precrisis levels until early 2024.
- 1.3 Fiscal policy has sought to support economic reactivation while maintaining prudent expenditure levels. The public deficit rose to 4% of GDP in 2020 (from 2.3% of GDP in 2019) due to the impact of the pandemic. The overall deficit rose to 3.8% of GDP in 2021 and is projected to fall to 3.7% of GDP in 2022. Mexico continues to pursue a fiscal policy that addresses domestic economic needs without neglecting macroeconomic equilibrium. Driven by the crisis and the impact of the valuation of its debt, public debt jumped to 51.7% of GDP in 2020 (from 44.5% in 2019) even though the country borrowed no more than the amount authorized by Congress in the budget. The authorities report a gradual settling of the debt, which stood at 50% of GDP in 2021 and is projected to come in at 49.6% of GDP in 2022.
- 1.4 Nevertheless, there are structural factors inhibiting sustainable economic growth that extend beyond the impact of current economic conditions. Along those lines, the objectives of the Economic Sector Program (PROSECO) 2020-2024 include "boosting domestic competition and regulatory improvements and facilitating the creation and consolidation of productive micro, small, and medium-sized enterprises (MSMEs) and individual entrepreneurs (...) for greater productive inclusion."¹

¹ See the bibliography ([optional link 3](#)).

Some of the structural factors inhibiting development emphasized in PROSECO include “low productivity,” “lagging innovation,” and “scant domestic competition stemming from excessive or ineffective regulation at the three levels of government.” To address these challenges, PROSECO focuses public policies around four priority objectives: (i) fostering innovation and the economic development of production-related sectors; (ii) boosting domestic competition and regulatory improvements; (iii) facilitating the creation and consolidation of productive MSMEs; and (iv) fostering economic diversification for greater equality across regions and sectors. In the context of this framework, this program would support these efforts by creating the institutional conditions needed to improve competitiveness and enrich the business climate. The program is also aligned with the Ministry of Economy’s 2022 Economic Reactivation Plan,² which is grounded in four lines of action that are consistent with the framework of this programmatic series, namely: (i) internal market, employment, and business; (ii) investment promotion and facilitation; (iii) international trade; and (iv) regionalization and sectors.[2]

- 1.5 **Competitiveness, institutions, and the business climate.** Leading international indicators point to significant shortcomings in the country’s competitiveness and business climate. The World Economic Forum (WEF) ranks Mexico 48th out of 141 countries on its 2019 Global Competitiveness Report, the most recent edition of the report. According to the report, the pillar that was the most detrimental to Mexico’s performance was “institutions,” in which Mexico is ranked 98th with a score of 48.3 out of 100. Reasons for this low score include the country’s poor performance in “transparency” (116th), “burden of government regulation” (116th), and “intellectual property protection” (67th).[3] The Doing Business report has been discontinued, but the 2020 edition provides useful information on the country’s business climate. For example, in its ranking of 190 countries, Mexico is 107th on the “cost of starting a business” indicator and 105th on the “registering property” indicator.[4]
- 1.6 By and large, these weaknesses stem from the cost of interactions between the government, individuals, and entrepreneurs. Calculations based on the data generated by the Mexican government using its SIMPLIFICA methodology for measuring administrative costs indicate that the administrative cost of central government transactions in 2021 was 3.39% of GDP, while the average administrative cost of state government transactions was 1.17% of GDP.[5]. The most recent Survey of Regulatory Quality and Government Impact on Businesses (2020) found that 28.2% of companies in Mexico view the regulatory framework as an obstacle to their business goals. That figure has risen since 2016, when it stood at 20.2%. The number of government transactions conducted by companies each year has also increased from 76.5 million in 2016 to 79.9 million in 2020.[6] Meanwhile, the United Nations E-Government Development Index ranks Mexico 62nd out of 193 countries in 2022. Mexico is ranked 7th out of the 10 Latin American and Caribbean countries on the overall index and comes in at 3rd on the online service index.[7] These results are consistent with national data from the 2021 National Survey of Government Quality and Impact, which found that just 14.4% of

² While PROSECO focuses on structural elements of the Mexican economy, the Economic Reactivation Plan is “a tool for responding to the complex public health and economic situation in Mexico and across the world stemming from the COVID-19 pandemic.”

the population had carried out a payment, transaction, or service online.[8] This figure indicates that most interactions between the government and individuals are still paper-based, in-person transactions. The slow adoption of digital administrative procedures and transactions contributes to inefficiencies, direct costs, and opportunity costs for individuals and businesses. One Bank study found that Mexico figures among the five worst countries of the region in terms of the average hours needed to carry out a government transaction (6.9 hours) and the difficulty of doing so (73% consider it difficult). That same study found that, even when transactions are carried out virtually, the failure rate in Mexico stood at 42%, above the regional average. Reasons for failure include technical issues with government websites and design flaws that make it difficult to easily find information. The study concludes that digital transactions in the region take 74% less time than paper-based, in-person transactions, which points up the opportunity for Mexico to develop digital tools and solutions that improve transactions and interactions between the government, individuals, and companies.[9] A regulatory framework that frequently hinders the ability of new businesses to enter the market is bound to reduce domestic competition and adversely affect a country's competitiveness. In fact, on a survey that asks businesses how they would rate the productive structure on a scale from 1 (dominated by a handful of groups) to 7 (spread out across many companies), Mexico scored just 3.5.[10] According to a study on competition in the modern channel of retail food and drink trade,[11] government regulation is an obstacle to the creation and/or expansion of small retail businesses in several federative entities. Entrepreneurs also have to contend with a wide array of regulations, government transactions, and agencies in the various municipios in which they operate, which is another obstacle to market entry for new competitors. Moreover, businesses already on the market have to comply with poorly defined municipal requirements for renewing operating permits and licenses, which encourages arbitrary behavior on the part of the authorities. Barriers to market entry and business operation stifle microenterprises and small businesses the most, holding back the productive inclusion of more vulnerable social groups, including women-led MSMEs, as well as hindering competition and giving rise to market informality, which has a negative impact on competitiveness at the national level.

- 1.7 A country's competitiveness is affected not only by domestic conditions but also by its trade relations abroad.[12] Mexico has made enormous strides in trade integration, including 14 free trade agreements with 50 countries.[13] Nevertheless, Mexico's information and communications technology (ICT) goods exports have slumped since 2010,[14] and its ICT services exports have slowed since 2000,[15] which demonstrates that nontraditional sectors have become less competitive, as those sectors are moving faster in other countries and regions, like East Asia and the Pacific. This stems from the fact that Mexico needs to "bring down the cost of economic activity, tracking and eliminating regulatory and tax barriers" in order to maximize the benefits of its network of trade agreements.[12] The United States-Mexico-Canada Trade Agreement (USMCA), signed in November 2018, recognizes that practices to promote digital trade, transparency, social buy-in, and regulatory quality can facilitate international trade, investment, and economic growth.
- 1.8 While it is true that trade liberalization brings significant benefits in terms of economic growth, productive development, and lower poverty rates, evidence has also

indicated that the benefits of open trade policies often involve a redistribution of resources toward economic units and sectors with higher levels of productivity and greater opportunities for growth, thereby exacerbating inequality and adjustment costs in the short term.

- 1.9 **Competitiveness, productive inclusion, and gender gaps.** The aforementioned constraints on competitiveness have particularly detrimental effects for women. According to the 2018 National Survey of MSME Productivity and Competitiveness,[16] 47.2% of women entrepreneurs cite excessive red tape and complex taxes as one major obstacle to growing their businesses.³ This not only limits domestic competition and holds back the business climate but also drives higher informality rates among women. In fact, according to the Ministry of Economy's Women-led MSME Development Policy, 88% of women entrepreneurs are self-employed workers (78% of men entrepreneurs), 86% of whom work in the informal sector (virtually equal to the percentage of self-employed men working in the informal sector: 85%).⁴ The pronounced gender gap in the amount of time that can be dedicated to starting a business (the fourth biggest reason why women-led ventures fail) is another constraint on the ability of women to formalize and manage a business, which directly affects their incomes.[17]
- 1.10 Women-led businesses contend with additional obstacles when trying to access international markets,⁵ notably the difficulties associated with developing reliable networks and contacts and accessing information, financing, and training services. As a result, women-led companies, regardless of size, are less engaged in trade than companies of the same size led by men.[19] Along the same lines, a survey of women entrepreneurs in the region conducted with support from IDB Lab found that one of the major drivers of the gap in access to capital for women-led companies is the fact that women founders often do not have the necessary contacts with investors. Those who do manage to secure venture capital tend to do so thanks to their connections with other women in the investment and venture ecosystem.[20]
- 1.11 Lastly, evidence indicates that the pandemic has disproportionately affected women. According to the 2020 National Survey of Occupation and Employment,[21] 53% of employed women work in the sectors that were hit hardest by the pandemic and may be the slowest to recover economically. The pandemic has also exacerbated challenges that women had already been experiencing, such as low levels of ICT adoption and use and limited access to finance.[22]

³ Women entrepreneurs who responded to that survey cite three major challenges to formalizing their businesses: the high cost of administrative procedures, both in terms of time and money; lack of access to finance; and lack of training opportunities in areas such as finance, accounting, and business development.

⁴ More than 5.5 million businesses in Mexico are owned by women (43% of the national total), and 23% of those women-owned businesses employ others. Productive Development Office, Ministry of Economy, July 2022.

⁵ These obstacles include: (i) difficulty developing reliable business networks and contacts; (ii) lack of access to clear, reliable information about business opportunities and international business dynamics; (iii) scant access to finance and working capital to make their businesses grow; (iv) limited access to formal training and business development services that take into account the specific needs and challenges that women entrepreneurs face (e.g., digital skills); and (v) unequal distribution of household and family responsibilities, which means that women are less able to devote more time to developing their businesses.[18]

- 1.12 **Institutional capacity and the business climate.** International experience shows that countries, especially those belonging to the Organisation for Economic Co-operation and Development (OECD), have implemented institutional policies to support the good working order of markets and increase productivity and productive inclusion through governance tools, technological resources, transparency, and quality regulations. Along those lines, the Mexican government approved legislation that promotes better interactions between entrepreneurs, individuals, and the government, including: (i) the Regulatory Improvement Act (LGMR), which aims to establish a foundation and principles for implementation of regulatory policy at all three levels of government;⁶ (ii) the Fostering Public Trust Act, which seeks to lessen the economic burden on individuals and companies subject to site visits or inspections; (iii) the Quality Infrastructure Act, which establishes technical and metrological criteria for the development of technical rules and standards; and (iv) the Federal Industrial Property Protection Act, which streamlines the process for issuing trademarks and patents.
- 1.13 Despite the significant advances brought by the USMCA and the new legal frameworks, Mexico's level of competitiveness remains relatively low (paragraph 1.5). The general problem that this program will seek to address is this diminished competitiveness and, in particular, its underlying institutional issues. The program will focus on the institutional conditions that generate a business climate that is not conducive to competition or productive inclusion and that is known for the high cost of interactions between the government, individuals, and entrepreneurs.
- 1.14 **Achievements under the first operation.** The first operation emphasized the development of regulatory frameworks and institutional and technological tools at the federal level, which established a foundation for this program's policy measures. Those actions were important building blocks for the Ministry of Economy, enabling in February 2022 the development and implementation of the Economic Reactivation Plan to "tackle the economic problems brought on by the pandemic and, in so doing, achieve a swift recovery of the robust productive growth that fosters job creation and greater social well-being."
- 1.15 Under the various components of the first operation, the Ministry of Economy and its dependent offices received technical assistance and support in the: approval and publication of regulatory frameworks that are crucial to improving the business climate; implementation of several regulatory improvement tools; and issuance of certifications to states and municipios that adhere to regulatory improvement programs;⁷ in addition to support for the commissioning of digital platforms that facilitate access to new business opportunities for entrepreneurs.
- 1.16 **Institutional alignment, coordination, and governance.** Under the first operation, arrangements were made to publish PROSECO. From there, the Ministry of

⁶ This reform and associated breakthroughs make Mexico a global leader in this area, as evidenced by the OECD's Indicators of Regulatory Policy and Governance, which rank Mexico among the top three OECD member countries in terms of good practices for the use of evidence-based and participatory processes for regulatory analysis and decision-making.

⁷ These certifications, issued by the National Commission for Regulatory Improvement (CONAMER), are tools to support implementation of the programs established by the LGMR to promote the streamlining and improvement of regulations, government transactions, and services at the subnational level.

Economy developed a “PROSECO 2020-2021 Planning and Monitoring” strategy with a view to establishing a mechanism by which it could plan, monitor, and track progress toward achievement of the 110 specific actions set out in PROSECO. The Ministry of Economy also approved the aforementioned Economic Reactivation Plan, ensuring its alignment with PROSECO. Guided by these strategic frameworks, in 2021 and 2022 the Ministry of Economy has convened working groups for each PROSECO objective with the responsible agencies to identify specific tasks, risks, obstacles, budget programs, and activities needed to achieve the targets.[19]

- 1.17 As a result of the first operation’s policy measure regarding the establishment of the United States-Mexico-Canada Free Trade Commission comprised of ministry-level government representatives from each party, joint decisions adopted between 2020 and 2022 have enabled progress toward implementation of the various agreements under the treaty, including: (i) uniform regulations (rules of origin and related procedures, and customs administration and trade facilitation; (ii) rules of procedure and codes of conduct; and (iii) creation of binational panels. The Commission met again in July 2022 to take stock of how the trade agreement was working two years after its entry into force.[23]
- 1.18 The first operation also strengthened interagency coordination at the state level through the establishment and operation of 20 local regulatory improvement councils, which have fostered dialogue and coordination at the local level. That effort has led to the approval of: (i) state regulatory improvement programs; (ii) annual municipal regulatory improvement programs; and (iii) an operations manual for regulatory impact analysis.[24] Another result of the first operation was the publication of a methodology for a National Regulatory Enhancement Strategy (ENMR) progress indicator by the National Regulatory Improvement Observatory. The indicator facilitates measurement and monitoring of regulatory improvement policy at the subnational level, as established by the LGMR. Results for 2017, 2018, and 2019 are already available.
- 1.19 **Digital tools for information management.** The first operation’s disbursement conditions under this component concerned approval of the guidelines for the Government Transactions and Services File (ETS), commissioning of the virtual National Catalog of Government Transactions and Services (CNARTyS), commissioning of the first stage of the Data México digital platform, and design and commissioning of the ComerciaMX platform, where the Mujer Export MX business roundtables are conducted. Several accomplishments after fulfillment of all of these measures warrant mention. With support from technical cooperation operation [ATN/OC-18026-ME](#) (paragraph 1.34), the Ministry of Economy began the design, development, and implementation of the Electronic Business File (EEE) digital platform for conducting two government transactions pertaining to business registration. The EEE was conceived as a version of the ETS for business transactions, which would consolidate and manage the flow of information to support business transactions and services at the national level. In May 2022, the Ministry of Economy published guidelines for the EEE in the Federal Official Gazette, which build a foundation for EEE operation and use.[25]
- 1.20 Users can now use the CNARTyS to consult more than 10,000 transactions and services and more than 100,000 regulations across all three levels of government, which helps lower transaction costs and gives entrepreneurs, and the public at large,

greater certainty as to the law. All told, 27 out of the 32 states have started to upload their information. In addition, 55 workshops on use of the ComerciaMX platform have been held. Lastly, between 2020 and May 2022 three business roundtables for women entrepreneurs were conducted using the Mujer ExportaMX platform. In all, 613 exporters and 225 buyers participated in those roundtables.[23]

- 1.21 **Administrative streamlining and regulatory improvements.** The first operation promoted such measures as publication of the Quality Infrastructure Act and the Federal Industrial Property Protection Act, commissioning of the Calculadora de Origin digital platform, and adoption of a series of regulatory improvement programs at the subnational level, namely: the Streamlined Construction Window (VECS), the Expedited System for Starting a Business (SARE), the Program to Streamline Administrative Responsibilities (PROSIMPLIFICA), and the Priority Sector Reform Program (PROREFORMA). As a result of the publication of the new regulations, the Ministry of Economy has taken several actions of note. For example, publication of the Quality Infrastructure Act led to the development of the “National Quality Infrastructure Program,” which aims to streamline management of information relating to official Mexican and international standards in the Integrated Standardization and Conformity Assessment System. The system seeks to ensure that the contents of national regulations and standards are technological, innovative, and as harmonized with international standards as possible, thereby making Mexican exports more competitive.[23]
- 1.22 The Mexican Institute of Industrial Property (IMPI), one of the Ministry of Economy’s dependent agencies, pushed ahead with efforts to adapt its electronic platform to the new requirements introduced by the Federal Industrial Property Protection Act. In doing so, the IMPI has shortened the time needed to register a copyright from 8-24 weeks to 6-14 weeks. This makes Mexico one of the most efficient countries in the world in terms of issuing copyrights, as the country is now ranked sixth worldwide. Thanks to the cooperation instruments IMPI has signed with the European Patent Office and the United States Patent and Trademark Office, the time required to issue a Mexican patent for patents issued by those two offices is now two years shorter.[23]
- 1.23 Lastly, significant progress has been made in terms of state and municipio certifications under the regulatory improvement programs. The federal government has issued certifications to 34 states and 248 municipios.[26]
- 1.24 **Transparency and trust.** The last component of the first operation focused on transparency and relationships between individuals, entrepreneurs, and the government. Significant progress has been made thanks to the fulfillment of the conditions of the first programmatic loan, which included the following measures: approval of the Fostering Public Trust Act, commissioning of the National Site Visit Registry,⁸ design of the CNARTyS public complaint module, and commissioning of the USMCA portal and the USMCA Consultation Center. As of September 2022, the National Site Visit Registry electronic portal had posted information on 753 site visits,

⁸ The National Site Visit Registry is a virtual tool that compiles information on all site visits, verifications, and inspections that government authorities can conduct in Mexico. It also compiles information on all inspectors, verifiers, and surveyors who are designated, empowered, or authorized to perform site visits, verifications, or inspections.

inspections, or verifications and 6,482 inspectors, verifiers, or surveyors.[27] This has enhanced legal certainty, anti-corruption efforts, and transparency, while also facilitating regulatory compliance for companies and individuals. Between June 2019 and June 2022, the USMCA portal has published 123 issues of the “USMCA Report,” 16 issues of the “USMCA Mexico-United States Trade Monitor,” and 2 issues of the “USMCA Mexico-Canada Trade Monitor,” thereby facilitating access to information on trade opportunities.

- 1.25 **Challenges for the second operation.** Clearly, the first operation achieved significant progress in terms of regulations, innovative programs, USMCA support tools, coordination mechanisms, and online launch of technological solutions. These gains are tied to both the general objective of helping increase the country’s competitiveness and the specific objectives of reducing the cost of interactions between the government, individuals, and entrepreneurs and promoting a more inclusive business climate, especially as regards women entrepreneurs and tapping the opportunities created by trade integration and the USMCA.
- 1.26 Building on those achievements, the second operation seeks to consolidate the proposed impacts, while placing greater emphasis on the issues of governance, transparency, and gender equity. To that end, it will focus on: (i) strengthening capacity, governance mechanisms, and regulatory and digital tools to support service delivery at the subnational level; (ii) fostering individual and entrepreneur buy-in and use of tools that support transparency and trust and prevent government corruption; and (iii) consolidating productive inclusion policy, especially for women entrepreneurs.
- 1.27 Strengthening capacity, governance mechanisms, and regulatory and digital tools to support service delivery at the subnational level. The significant progress made in measuring and cutting the administrative costs that inhibit the country’s competitiveness exhibits the following dominant trend: efforts to reduce these costs at the federal level have greater momentum than efforts at subnational levels (especially the municipal level). In fact, federal administrative costs have fallen from 4.8% of the country’s GDP in 2016 to 3.39% in 2021,[28] while the average⁹ regulatory burden for Mexico’s 32 states has decreased from 1.29% of state GDP in 2018 to 1.17% in 2021.[29] As these figures illustrate, it is harder to cut these costs at the state level, which means that the proportion of the national administrative burden that corresponds to state-level costs is increasing. Furthermore, federal authorities have systematically measured the burden of all federal government transactions for several years, but efforts to measure the administrative burden at the state level date back to just 2018. Meanwhile, less than 1% of municipios measure this burden, which makes it difficult to reach meaningful conclusions. This confirms how important it is for the second operation to place special emphasis on pushing ahead with the adoption of measures and tools that help cut administrative costs at the subnational level.

⁹ The methodology for measuring the administrative burden of any given state out of the 32 states that form the Mexican Republic is as follows: after identifying the government transactions in that state, the SIMPLIFICA methodology is applied, which assigns an economic cost to the burden that those transactions create for the individual or company. That cost is then divided by the value of the state’s GDP.

- 1.28 Along the same lines, great strides have been made toward the adoption of the regulatory and digital tools promoted by the first operation at the federal government level, but efforts at the subnational level have fallen behind. For example, whereas the federal government had uploaded all of its transactions, regulations, inspections, and inspectors to the CNARTyS by year-end 2021, as of July 2022, 26 out of the 32 states had started uploading this information, but no state had fully uploaded all of their regulations, transactions, inspectors, and inspections.
- 1.29 Fostering transparency and public trust. Transparency International's indicator[30] confirms Mexico's weak performance in this area, both in the region and worldwide. In 2021, Mexico was ranked 124th out of 180 countries worldwide. Its score (just 31 points) trailed both the ones earned by countries in the top 10 (>80 points) and the regional average (43 points). Within the region, Mexico ranked 23rd out of 32 countries. All of this illustrates how important it is for Mexico to continue to push forward with measures to strengthen access to information, accountability, and rule of law and empower individuals and entrepreneurs in their interactions with the government.
- 1.30 Consolidating productive inclusion policy, especially for women entrepreneurs. Despite recent gains,¹⁰ significant gender inequality gaps between men and women entrepreneurs persist. The WEF's 2022 Gender Report[32] ranks Mexico 113th out of 146 countries on the women's "Economic Participation and Opportunity" indicator, though the country has risen nine positions since 2021. Within the region, Mexico, Chile, and Guatemala are ranked the lowest. As of March 2021, only 26% of MSMEs were women-led.[33] The larger the business, the less likely it is to have a woman at the helm. In 2018, 13% of medium-sized enterprises and 9% of large enterprises were women-led. There is also a pronounced income gap between self-employed men and self-employed women, with self-employed women earning, on average, 37% less than self-employed men. Six out of every 10 women who employ other workers in Mexico do business in the trade, restaurants, and lodging sectors. Businesses in these sectors tend to be smaller and less productive. All of this underscores how important it is for the country to press ahead with the consolidation of policies, programs and digital tools that facilitate networking and access to training and economic opportunities for women entrepreneurs.
- 1.31 Evidence has shown that economic gender equality not only benefits women but also has a positive impact on the national economy. Projections prepared by the Mexican Institute for Competitiveness indicate that integrating 8.2 million women into the Mexican economy would increase the country's GDP by 15% by 2030.[34] The second operation in this programmatic series conveys the importance of this issue through its emphasis on the productive inclusion of women entrepreneurs with the inclusion of new policy measures with a gender lens.
- 1.32 **The Bank's experience in Mexico and in the region.** The Bank has gained experience in service modernization and the strengthening of institutional frameworks to support competitiveness through such programs as the Strengthening of Institutional Capacity for Regulatory Management program

¹⁰ Between 2021 and 2022, the Mexican federal government facilitated over 229,000 credit lines to women-led MSMEs, with a credit volume of over Mex\$9 billion (approximately US\$450 million). Over that same period, it provided training to over 25,000 women entrepreneurs.[31]

(loan [1811/OC-BR](#)); the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises (loan [4399/OC-PE](#)); the Program to Improve Public Service Quality (loan [3073/OC-EC](#)); the Institutional Strengthening for Competitiveness Program (loan [4928/OC-EC](#)); the Digital Agenda Support Program (loan [4650/OC-PR](#)); the Productive Paraguay: Transparency and Financing project (loan [4401/OC-PR](#)); the Program to Support the Transparency Agenda in Paraguay (loans [4866/OC-PR](#) and [5244/OC-PR](#)); and the Program to Boost Productivity in Mexico I and II (loan [2993/OC-ME](#), approved in 2013 for US\$800 million, now closed; and loan [3739/OC-ME](#), approved in 2016 for US\$600 million, now closed) and through technical cooperation operations [ATN/FI-13918-RG](#) and [ATN/OC-17057-RG](#), as well as through its support for the OECD's digital government and regulatory policy reviews in Chile, Colombia, and Argentina. Another operation of note is the Program to Improve the Quality of Employment in Mexico (loan [5026/OC-ME](#), approved in 2020 for US\$800 million, now closed), through which the Bank seeks to facilitate implementation of the reform of the Federal Labor Act in line with the commitments undertaken under the USMCA. The Bank has also promoted knowledge generation through capacity-building events and publications, including "Governments That Serve," "Government at a Glance: Latin America and the Caribbean 2020," "Simplifying Lives," "Supporting Policy Reforms in Business Climate and Innovation in Latin America and the Caribbean," "Wait No More," "Policies for Direct Foreign Investment,"[5] [35] and "¿Preparados para Regular? Lecciones y Desafíos de la Regulación en América Latina y el Caribe." [36] The IDB and the OECD also support the Ibero-American and Caribbean Network of Regulatory Improvement, which brings together 14 countries.

- 1.33 **Lessons learned.** The design of the programmatic series is informed by lessons learned by the IDB in PBP development and implementation.[37] These lessons include the importance of: (i) political support for the continuity of the reforms under a progressive logic that combines regulatory progress with institutional capacity building at the various levels of government; (ii) establishing effective policy conditions that ensure the depth of the reforms; (iii) structuring the programmatic series in such a way that minimizes the risk of the reform being politically unsustainable; (iv) coordination across the levels of government and incentives for implementation of reforms that involve subnational governments; and (v) close Bank support for the government during implementation of institutional changes and policy measures through technical assistance that strengthens the institutional capacity needed to ensure sustainability (paragraphs 1.34 and 2.5). The program's emphasis on institutional capacity building captures these lessons learned. Other tangible applications of the Bank's lessons learned include the use of the programmatic structure to enable gradual reform and the systematic support provided through technical cooperation operations and technical assistance. The institutional governance framework supported by the program incorporates lessons learned regarding the importance of political support and coordination mechanisms for ensuring the sustainability of the measures implemented. Lastly, the positive experience with the first operation in the programmatic series also offers a lesson learned regarding the importance of targeting the impact of reforms to benefit certain groups, like MSMEs, and mainstreaming gender in order to achieve significant equity and socioeconomic impact.

- 1.34 **The Bank's value-added.** Since 2017, the IDB has supported the Ministry of Economy with several technical cooperation operations that have made significant contributions to the design and implementation of legal frameworks and the policy measures included in this program, with a view to promoting competitiveness. Client support under technical cooperation operation [ATN/OC-16371-ME](#), approved in 2017 for US\$200,000, financed the design and implementation of the CNARTyS, a technology tool that will ensure transparency and access to information for individuals and entrepreneurs regarding all transactions, services, regulations, inspections and inspectors in the country, not just at the federal level but also for states, municipal governments, autonomous agencies, and judicial entities. In addition, the execution of technical cooperation operation [ATN/AA-17774-ME; ATN/OC-17773-ME](#) for a total of US\$350,000 in client support, has been underway since 2019. That operation supports the design of a digital platform for the VECS, which will facilitate the process of obtaining construction permits for low-risk and low-impact commercial businesses. That operation also helped the National Anti-Corruption System and the Financial Intelligence Office strengthen their information systems for monitoring public servant assets and conflicts of interest and anti-money laundering and combating the financing of terrorism. Operational support for the first operation in the programmatic series under technical cooperation operation [ATN/OC-18026-ME](#), approved in 2020 for US\$400,000, facilitated the technological and legal design of the EEE and launch development thereof for two pilot Ministry of Economy transactions. Once the EEE is fully implemented, it will be a framework for digital transformation in Mexico since it will ensure that public agencies at all levels of government do not need to ask entrepreneurs for documentation to which the agencies already have access. Through its support for research and dissemination activities under regional technical cooperation operation [ANT/OC-18241-RG](#), approved in 2020 for US\$300,000, the IDB financed the development of the business-focused social network ConnectAmericas, which in turn has directly supported the Ministry of Economy in its efforts to launch the ComerciaMX platform and the Mujer ExportaMX business roundtables, which help women entrepreneurs tap the opportunities created by international trade. The Bank has also provided direct technical assistance through policy dialogues that have generated important studies and inputs in such areas as global value chains,¹¹ system integration, and public trust.
- 1.35 In 2022, the Mexican Ministry of Tourism and the Ministry of Economy partnered with the IDB and the WEF to implement a Gender Parity Initiative under a public-private partnership model, which aims to help close gender economic gaps.¹² That partnership supported the creation of an enabling environment for progress in the area of gender equality. In addition, in early 2021 the IDB, in collaboration with private sector leaders, launched Women Growing Together in the Americas to

¹¹ The study *Modelos de intervención en las cadenas globales de valor de las industrias pesadas y otros sectores estratégicos en México* includes a diagnostic assessment of the drivers affecting integration of Mexican companies, especially small and medium-sized enterprises (SMEs), in global value chains.[38]

¹² The WEF created the Gender Parity Initiative in 2012. In 2016, the IDB partnered with the WEF to implement these initiatives in Latin America using a public-private partnership model, with a view to: (i) increasing women's workforce participation; (ii) closing the gender wage gap; and (iii) promoting more women into leadership positions in both the public and private sectors. As of this writing, these Gender Parity Initiatives have been implemented in six countries: Chile, Argentina, Panama, Colombia, the Dominican Republic, and Costa Rica.

encourage female entrepreneurs to integrate their businesses into international value chains.

- 1.36 **Complementarity with other Bank operations.** The Bank is currently preparing a business development program for competitiveness and integration, which will complement this operation. That program aims to improve the insertion of MSMEs in global value chains, thereby increasing their productivity. The Bank will also support achievement of the objectives set out in this operation through technical cooperation operation [ATN/OC-19301-ME](#), approved in 2022 for a total of US\$200,000. Through support for execution of three pilot projects involving both the federal government and subnational governments, that technical cooperation operation will build institutional capacity at the Ministry of Economy to continue making the country more competitive by launching the EEE for Ministry of Economy transactions and subsequent addition of transactions managed by other agencies. Lastly, regional technical cooperation operation [ATN/FG-18691-RG](#), approved in 2021, will provide US\$150,000 in client support to assist with EEE development and development of the legal and technical regulations that will enable launch of the platform at any public agency in Mexico.
- 1.37 **Strategic alignment.** This program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the development challenges of: (i) social inclusion and equality, in that it facilitates public access to public services at the various levels of government through a single platform but particularly benefits vulnerable groups that are more dependent on government services and small businesses by cutting the cost these groups incur in their government interactions; (ii) productivity and innovation, by improving the business climate through a reduction in transaction costs, enhanced information exchange and management, and less arbitrary transactions; and (iii) economic integration, in that it gives priority to implementation of governance mechanisms and institutional tools to support international trade and cooperation frameworks. The project is also aligned with the crosscutting themes of: (i) institutional capacity and rule of law, by: (a) improving the government's regulatory capacity and its ability to deliver public services in an appropriate volume and with the requisite accessibility and quality; and (b) helping strengthen the rule of law, by promoting community participation and the creation of a stable, transparent, and predictable legal framework that promotes the equitable and effective application of regulations for individuals and businesses and prevents corruption; (ii) gender equity, in that it supports and gives shape to the policy of promoting gender equality and the empowerment of women, by reducing transaction costs that have prevented women entrepreneurs from formalizing their companies, and developing women's entrepreneurial competencies to strengthen the export capacity of women-owned and women-led MSMEs; and (iii) climate change, through the digitalization of services and reduction of greenhouse gas emissions thanks to fewer trips and reductions in paper use. Approximately 10.53% of the operation's resources support activities to strengthen transparent and effective public management through the expansion of digital services, thereby furthering climate change mitigation, according to the [joint methodology of the multilateral development banks for tracking climate change finance](#). These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of approvals in 2022 ([optional link 2](#)).

- 1.38 The operation will contribute to the following level 2 indicators from the Corporate Results Framework 2020-2023 (document GN-2727-12): (i) agencies with strengthened digital technology and managerial capacity; and (ii) agencies with strengthened transparency and integrity practices. The operation is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) through its promotion of government innovation. In addition, it is consistent with: (i) the Transparency and Integrity Sector Framework Document (document GN-2981-2) by supporting access to information and a reduction in corruption; (ii) the Gender and Diversity Sector Framework Document (document GN-2800-8), by “expanding economic opportunities for women,” in line with the priority area of “improving economic opportunities” set out in the IDB Group Gender and Diversity Action Plan 2022-2025 (document GN-3116, CII/GN-498), while also contributing to Pillar 1, “Businesses,” of the Employment Action Framework with a Gender Perspective (document PP-1162, CII/PP-418), inasmuch as it promotes the creation of business round tables exclusively for women entrepreneurs, management trainings, and additional facilities for accessing information on business opportunities; and (iii) the Climate Change Sector Framework Document (document GN-2835-8) by contributing to the vision of “a world with net zero greenhouse gas emissions.” The operation is also aligned with the IDB Group Country Strategy with Mexico 2019-2024 (document GN-2982) and specifically with its strategic objective of “strengthening the labor market” in that it will help reduce informality by decreasing regulatory costs.

B. Objectives, components, and cost

- 1.39 The general development objective of the programmatic series is to help increase the country's competitiveness. The specific development objectives are to: (i) reduce the cost of interactions between the government, individuals, and entrepreneurs; and (ii) promote a more inclusive business climate, particularly for women entrepreneurs.
- 1.40 The operation's components and associated conditions are set out below. A detailed explanation of the changes between the indicative measures from the first operation in the programmatic series and the policy measures in the second operation can be found in [optional link 1](#).
- 1.41 **Component 1. Macroeconomic stability.** The objective of this component is to ensure the maintenance of a macroeconomic framework consistent with the program objectives and the sector [policy letter](#).
- 1.42 **Component 2. Institutional alignment, coordination, and governance.** The objective of this component is to continue implementing an institutional governance framework to contribute to a better business climate. That objective will be achieved through implementation of the following policy measures: (i) commissioning of the Ministry of Economy's digital institutional monitoring system to monitor implementation of PROSECO, which sets strategic benchmarks for economic development, innovation, domestic competition, regulatory improvement, MSME creation and consolidation, and economic equality across regions and sectors (2.1); (ii) establishment of the Committee on SME Issues, which will convene the Trilateral SME Dialogue. The committee and the dialogue are both USMCA mechanisms whose participants include Ministry of Economy officials, their counterparts from the United States and Canada, and representatives from the private sector, charged

- with promoting trade opportunities and exchanges of best practices for SMEs¹³ by issuing recommendations and providing information to facilitate international trade (2.2); (iii) establishment of four specialized working groups within the National Regulatory Improvement Council (CNMR) designed to provide technical assistance to subnational efforts relating to the streamlining of government transactions and services, regulatory improvement programs, municipal regulatory improvements, and priority sector reforms, which will support the objectives of the local councils¹⁴ (2.3); (iv) application by the National Regulatory Improvement Observatory of the indicator measuring subnational governments' progress toward implementation of the 2020 ENMR, which is the programmatic tool for coordinating the country's regulatory improvement policy (2.4); and (v) development and submission by the Ministry of Economy of a proposal¹⁵ for a public-private and inter-agency coordination mechanism for mainstreaming gender in MSME development policy (2.5).
- 1.43 The text of policy measure 2.2 was modified to clarify that the Trilateral SME Dialogue takes place within the USMCA Committee on SME Issues. Measure 2.3 was adjusted to clarify that the working groups are established within the CNMR. The four policy conditions originally set out under Component 2 were supplemented with the addition of a new measure (condition 2.5) to strengthen institutional alignment and coordination for implementation of MSME development policies with a gender lens.
- 1.44 **Component 3. Digital tools for information management.** The objective of this component is to promote the development and use of digital tools for information access and support for transactions between governments, companies, and individuals. That objective will be achieved through implementation of the following policy measures: (i) approval by the Ministry of Economy of guidelines for the EEE and design and development of a first version of the platform for conducting two government transactions pertaining to business registration (3.1); (ii) integration of 15 federative entities into the CNARTyS with a view to strengthening access to information and service delivery at the subnational level (3.2); (iii) commissioning of the second stage of the digital Data México platform, with the addition of data on the aerospace, automotive, textile, information technology, and trade industries (3.3); and (iv) commissioning of the second stage of the digital MIPYMEs MX platform, with the incorporation of a module designed specifically to support women-led SME exporters (3.4).
- 1.45 Policy measure 3.1 was adjusted to include a reference to the approval of the EEE guidelines, since that is a crucial step in the process of implementing this digital tool. Lastly, a modification was made to policy measure 3.4 on the commissioning of the

¹³ The Trilateral Dialogue develops recommendations for importers and exporters and provides information on cases of success and resources that help SMEs better leverage the treaty.

¹⁴ The CNMR creates these specialized working groups based on its identification of gaps in technical capacity at the local level for promoting implementation of the LGMR. To that end, they promote an exchange of practices and solutions for each area. These groups are also forums for local governments to engage in dialogue and enter into agreements to prepare proposals of mutual interest for submission to the CNMR.

¹⁵ The proposal will provide inputs and guidelines for the creation of the governance mechanism. To implement that mechanism, the Ministry of Economy will need to identify representative stakeholders from civil society and the private sector who can support implementation of the MSME development policy with a gender lens.

second stage of the digital MIPYMES MX platform to make a more explicit connection with the first operation's policy measure regarding support for women exporters and to clarify that the module will be specifically designed to support women-led SME exporters.

- 1.46 **Component 4. Administrative streamlining and regulatory improvements.** The objective of this component is to promote regulatory improvements and streamlining. That objective will be achieved through implementation of the following policy measures: (i) approval and publication in the Federal Official Gazette of regulations for the legal framework for quality infrastructure; (ii) commissioning of a streamlined virtual process for issuing patents and trademarks as defined by the Federal Industrial Property Protection Act (4.2); (iii) expansion of the scope of the Calculadora de Origen digital platform to include tariff preferences and facilities under the Pacific Alliance Treaties and the Latin American Integration Association Agreements, thereby streamlining access to international trade opportunities (4.3); (iv) implementation of the VECS in six municipios and implementation of the SARE in 20 municipios, thereby streamlining government transactions at the local level (4.4); and (v) implementation of PROSIMPLIFICA certifications in five states and PROREFORMA certifications in five municipios, thereby supporting regulatory improvements at the subnational level (4.5).
- 1.47 **Component 5. Transparency and trust.** This component aims to foster trust among individuals, entrepreneurs, and the government through greater transparency and less arbitrary government inspections. That objective will be achieved through implementation of the following policy measures: (i) commissioning of a digital computerized system for the Public Trust Registry and enrollment of at least 2,500 individuals and companies (5.1); (ii) publication on the National Site Visit Registry of at least 600 inspections and 5,000 inspectors at the federal government level and of data on inspectors and inspections from four federative entities (5.2); (iii) commissioning of public complaint portals for at least five subnational governments, thereby facilitating public engagement in regulatory and service improvements (5.3); (iv) expansion of the features of the USMCA Portal and USMCA Consultation Center, including data on revenue amounts and other trade statistics, greater accessibility of information for women entrepreneurs, classification of queries by type, and breakdown by sectors (5.4); and (v) launch by the Ministry of Economy of the “Emprendamos Juntas” program, with a view to strengthening access to information, transparency, and interactions with women entrepreneurs, and development of inputs for productive inclusion policies with a gender lens¹⁶ (5.5).
- 1.48 Policy measure 5.2 has been modified because the registration of inspections and inspectors has surpassed initial expectations. The condition was adjusted to increase its scope at the federal level. At the state level, however, registration of data

¹⁶ This program should make all of the Ministry of Economy's tools for women entrepreneurs more accessible, including mentoring services for starting and managing a business and communities of practice where experiences are shared and mutual support provided with a view to fostering the development of social capital and trust.[39] According to evidence generated by the WISE Latin America program for women entrepreneurs,[40] one of the main reasons women chose to participate was the opportunity to network, work with a mentor, develop entrepreneurial knowledge, and take part in a group specifically designed for women entrepreneurs in the fields of science, technology, engineering, and math. Participants emphasized the idea of a community of learning and motivation.

on site visits has not been a priority for state agencies, which have instead focused their efforts on compliance with regulatory improvement programs. As a result, 25 federative entities have been added to the CNARTyS, surpassing the initial target (15), and more than 3,100 state-level government transactions have also been registered, which brings greater legal certainty and makes government transactions more efficient. Policy condition 5.3 was also changed to reflect the progress made on support tools for lodging public complaints at the subnational level, in line with this operation's approach to implementation of the tools envisaged in the LGMR at the state and municipal levels. Policy measure 5.5 was added to strengthen access to information, transparency, and interactions with women entrepreneurs and develop inputs for productive inclusion policies with a gender lens.

C. Key results indicators

- 1.49 **Results.** This operation keeps the objective and targets established for the programmatic series by the first operation. The expected outcomes of the two operations will be short-, medium-, and long-term changes arising from implementation of the envisaged reform measures. The first expected outcome is a decrease in the cost of interactions between the government, individuals, and entrepreneurs in Mexico, reflected as a reduction in: (i) the aggregate regulatory burden of the federal government as a percentage of GDP; (ii) the aggregate regulatory burden of state governments as a percentage of GDP; (iii) individuals who cite bureaucratic hurdles to a government transaction as the largest obstacle to carrying it out; (iv) the average time taken for the IMPI to issue a patent or register a trademark; and (v) the average time taken to issue a construction permit in municipios that are newly adopting the VECS program. The second expected outcome is that the country will have a more inclusive business climate, especially for women entrepreneurs, evidenced by: (i) an increase in the percentage of MSMEs owned by women or whose majority shareholders are women; (ii) a lower percentage of MSMEs that do not participate in a value chain due to a lack of information; and (iii) an improvement in the subnational indicator for regulatory improvement at the municipal level. To achieve these outcomes, the IDB has approved operational support technical cooperation operations that will facilitate development of certain outputs related to this operation. In the long term, the policies should result in a better score on the "institutions" pillar of the WEF Global Competitiveness Index, which will reflect the impact of the institutional capacity and governance strengthening measures supported by the program. By means of an example of how decreasing the regulatory burden impacts transaction costs that affect the country's competitiveness, the decrease in the state-level regulatory burden from the base year through September 2022 amounted to 0.12 percentage points of GDP, which is the equivalent of Mex\$21.241 billion (approximately US\$1.115 billion). The transparency, regulatory improvement, access to information, transaction digitalization and streamlining, and public engagement measures are expected to strengthen legal certainty and rule of law and reduce arbitrariness, with an impact on corruption prevention.
- 1.50 **Beneficiaries.** The main beneficiaries of the program will be entrepreneurs, especially those involved in MSMEs and women entrepreneurs, who will benefit from streamlined regulations, better access to information, training, and lower transaction costs in their interactions with the government. The program will also benefit the employees of the participating government agencies, who will benefit from better

regulations and technology tools for carrying out their duties. Lastly, the public at large will benefit from access to more information and digital services, which will help improve the business climate and make it more inclusive and more competitive.

- 1.51 **Economic analysis.** Based on the recommendations of the IDB's Office of Evaluation and Oversight set out in its 2011 Evaluability Review of Bank Projects,¹⁷ the findings of the review of evaluation practices and standards for policy-based loans (PBLs) conducted by the Evaluation Cooperation Group (ECG) (composed of the independent evaluation offices of the multilateral development banks),^[41] and the provisions of paragraph 1.3 of the Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-sovereign Guaranteed Operations (document GN-2489-5), which indicate that there is no need to include an analysis of efficiency in the use of financial resources,¹⁸ it was determined that an economic analysis would not be conducted for this type of loan.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is the second in a programmatic series consisting of two contractually independent but technically linked loan operation structured under the PBP modality in line with the provisions of the document "Policy-based Loans: Guidelines for Preparation and Implementation" (document CS-3633-2). The project team chose this financing instrument and the programmatic option because the PBP modality is responsive to ongoing processes and knowledge acquired during execution, which helps bring continuity to the technical and policy dialogue. It also enables the Bank to provide close support to the executing agency and brings continuity to strategy monitoring, given the complexity of the proposed reforms. Lastly, the programmatic structure of the PBP, with two separate yet technically linked operations, creates incentives for the country to continue implementing the agreed-upon policies while providing flexibility to adapt to changes in the government's priorities if so required.
- 2.2 **Size of the operation.** The financing amount is US\$500 million from Ordinary Capital resources. This amount is justified by Mexico's fiscal resource needs and has no direct relationship with the cost of the program reforms, pursuant to paragraph 3.27(b) of "Policy-based Loans: Guidelines for Preparation and Implementation" (document CS-3633-2), which refers to a country's broad fiscal needs. Mexico's public sector financial needs for 2022 are estimated at US\$53.665 billion (pre-2023 criteria), while external financing should amount to US\$18.783 billion. This operation would be equivalent to 0.93% and 2.66% of those amounts, respectively.

¹⁷ Document RE-397-1: "Currently, the economic analysis section is computed as the maximum between the cost-benefit analysis and the cost-effectiveness analysis. Yet neither a cost-benefit analysis nor a cost-effectiveness analysis is applicable to PBLs."

¹⁸ According to the ECG, PBLs should be evaluated in terms of their relevance, effectiveness, and sustainability. Efficiency is not included as a criterion since the size of a PBL is linked to a country's financing gap and is independent from the operation's benefits.

B. Environmental and social risks

- 2.3 This PBL operation is not expected to have any significant and direct negative effects on the country's environment and natural resources. Therefore, the PBL falls outside the scope of the IDB's Environmental and Social Policy Framework (document GN-2965-23), pursuant to paragraph 4.7 thereof.

C. Fiduciary risks

- 2.4 No fiduciary risks associated with the operation have been identified. The proceeds will be deposited directly in the Single Treasury Account to cover the federal government's financing needs, and the executing agency has the necessary financial management tools and control systems. Funds will be disbursed upon fulfillment of the policy conditions set forth in the loan contract.

D. Other key issues and risks

- 2.5 **Institutional environment.** The project team has identified a medium-high institutional risk in that, if the various federal and subnational agencies interested in EEE integration do not have the requisite technical-financial capacity, it may adversely affect results relating to reduction of the cost of interactions between entrepreneurs and the different levels of government. To mitigate that risk, technical cooperation operation [ATN/OC-19301-ME](#) plans to finance activities directly related to the execution of three EEE integration pilots for agencies from the three different levels of government, which will strengthen operational capacity at the involved agencies. That mitigation measure will be reinforced by another operation currently in preparation, the Business Development Program for Competitiveness and Integration, which includes actions to fund the roll-out of the EEE at other federal and subnational agencies (paragraph 1.36). The project team identified another medium-high institutional risk in that, if the involved agencies do not have the requisite capacity for execution of Component 3 (digital tools for information management), there may be delays to the responses needed to promptly address the operational demand arising from the new legal framework, which would adversely affect timely program implementation. To mitigate this risk, the Bank plans to provide technical assistance through technical cooperation operations [ATN/OC-18026-ME](#), [ATN/AA-17774-ME](#), [ATN/OC-17773-ME](#) (paragraph 1.34), [ATN/OC-19301-ME](#), and [ATN/FG-18691-RG](#) (paragraph 1.36), which will support the institutional capacity building at the Ministry of Economy for developing and managing the digital tools envisaged under Component 3, through such actions as trainings and the development of regulatory frameworks to support the implementation of those tools.
- 2.6 **Sustainability.** The sustainability of the programmatic series will be ensured thanks to the institutional framework measures put in place through the governance, management, oversight, and public engagement mechanisms, which are firmly aligned with the Ministry of Economy priorities set out in its PROSECO 2020-2024. Moreover, those measures are grounded in robust legal frameworks, including a constitutional reform, guidelines, international treaties, decisions by legally mandated working groups, commissions, and councils, citizen observatories, and other dialogue and coordination mechanisms, which support the public policy measures and shape the Mexican government's commitment to improving the country's competitiveness with Bank support. Mexico has a history of ensuring the

- continuity of its policies even in the context of changes in its authorities. For example, the LGMR was approved in 2018 under the previous administration, whereas its implementation is being promoted by the country's current government. Effective implementation of the measures set out in the policy matrix for this and the first operation of the programmatic series and the Mexican authorities' commitment contributes to project sustainability. Lastly, Mexico has had a positive track record of using PBPs as an instrument to support policy reforms,¹⁹ which is conducive to the sustainability of the programmatic series and its results.
- 2.7 It is also important for the country, with the Bank's support, to continue closing gaps in the areas addressed by this programmatic series to ensure the sustainability of that which has already been achieved. To that end, the Bank should maintain an ongoing dialogue with the Ministry of Economy and consolidate its position as a partner that is able to support new initiatives as specific needs are identified. Issues of particular interest include the challenges related to implementation of the reforms at the state and municipal level in light of the unique features of the country's federative structure, the autonomy of those governments, and their significant economic, political, and social weight. The Ministry of Economy is aware of the importance of ensuring continuous support for the adoption of technological tools, administrative streamlining and regulatory improvement programs, and measures to foster transparency and public engagement. At the same time and notwithstanding the clear progress achieved, stepping up progress to further reduce gender gaps and ensure that women have more and better opportunities to reach their highest potential and assume leadership roles is a challenge that will require solutions extending beyond the short term.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the United Mexican States, represented by the Ministry of Finance and Public Credit. Program execution will be carried out by the borrower, acting through the Ministry of Economy, which will serve as the executing agency, with support from the National Commission for Regulatory Improvement (CONAMER) and the IMPI.²⁰ The executing agency will be responsible for: (i) submitting evidence that the policy commitments for each of the loans have been fulfilled, as well as any other program-related evidence required by the IDB to approve the respective disbursements; (ii) supporting the activities needed to ensure continuity in program execution; and (iii) after the program proceeds have been disbursed, collecting data on the necessary performance indicators to evaluate

¹⁹ For example, the programmatic series comprising the already closed operations: Program to Strengthen Urban Development and Land-use Planning Reform (loan [4535/OC-ME](#), approved in 2018 for US\$600 million) and the Program to Strengthen Urban Development and Land-use Planning Reform II (loan [4954/OC-ME](#), approved in 2019 for US\$600 million); and the programmatic series comprised of the already closed operations: Public Finance Strengthening Program (loan [3201/OC-ME](#), approved in 2014 for US\$800 million), the Public Finance Strengthening Program II (loan [3676/OC-ME](#), approved in 2016 for US\$600 million), and the Program to Support the Consolidation of Fiscal Sustainability (loan [2378/OC-ME](#), approved in 2010 for US\$1 billion).

²⁰ CONAMER and the IMPI are administratively autonomous agencies under the Ministry of Economy.

program results. The reforms supported by this operation fall under the purview of the Ministry of Economy and its dependent agencies.

- 3.2 **Strategic/operational coordination mechanism.** The executing agency will receive support from the CNMR and CONAMER for effective interinstitutional coordination with government agencies, the different levels of government, and the private sector. More specifically, the CNMR will be legally responsible for developing mechanisms for coordinating with the federative entities' State Regulatory Improvement Councils to carry out the objectives of the LGMR. The involvement of the private sector, academia, and representatives from various institutions at the federal and state level in the CNMR, under the leadership of the Ministry of Economy, will ensure that the CNMR will be a substantive body for strategic program coordination. Technical cooperation resources will also be provided to strengthen the executing agency's capacity for coordination (paragraph 1.36).
- 3.3 **Special contractual conditions precedent to the first and only disbursement of the loan proceeds. The first and only disbursement of the second operation in the programmatic series will be contingent on: (i) fulfillment of the policy reform conditions as established in the policy matrix and the [policy letter](#); and (ii) fulfillment of the other conditions set out in the respective loan contract.**
- B. Summary of arrangements for monitoring results**
- 3.4 **Monitoring.** Program monitoring focuses on verification of the policy measures agreed upon as conditions ([required link 2](#)). The results matrix indicators will also be used to monitor the results of those reforms and policies at the program level.
- 3.5 **Evaluation.** The monitoring and evaluation plan ([monitoring and evaluation plan](#)) discusses the quasi-experimental impact evaluation to be conducted after disbursement of the second loan with a view to generating knowledge on the effectiveness of the institutional activities to strengthen the country's competitiveness, which will demonstrate attribution of the results achieved by the program.
- 3.6 Upon completion of the second loan operation, the project team will prepare a project completion report addressing both phases of the programmatic series, in accordance with the Bank guidelines set out in document OP-1242-5. The project completion report will evaluate the results attained.

IV. POLICY LETTER

- 4.1 **Policy Letter.** For the purposes of this operation, the Government of Mexico has confirmed and reiterated the commitments it made in the [policy letter](#) issued by the Ministry of Economy for the first operation in the programmatic series (paragraph 1.1). That letter, which was received by the Bank on 25 June 2021, refers to both operations in the programmatic series. Thus, it reaffirms the commitment to the policy measures and actions the country has proposed to implement through this operation, aimed at increasing the country's competitiveness.

Development Effectiveness Matrix		
Summary		ME-L1322
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Economic Integration</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Agencies with strengthened digital technology and managerial capacity (#)</div> <div>-Agencies with strengthened transparency and integrity practices (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2982	Strengthen the labor market
Country Program Results Matrix		The intervention is not included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.4
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		9.6
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.6
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		N.A.
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	<div>Financial Management: Budget, Treasury, Accounting and Reporting, Internal Audit.</div> <div>Procurement: Information System, Price Comparison, Contracting Individual Consultant.</div>
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Through the TCs ATN/OC-18026-ME, ATN/OC-16371-ME and ATN/AA-17774-ME, ATN/OC-17773-ME, the IDB has supported the implementation of several of the planned policy instruments in this operation. Additionally, in 2021, resources from TCs ATN/OC-19301-ME and ATN/FG-18691-RG were approved.

Evaluability Assessment Note: The general objective of developing the programmatic series is to contribute to the accrue ment in the country's competitiveness. The specific development objectives are the following: (i) reduce the costs of interaction between the government, citizens and businessmen; and (ii) promote a more inclusive business environment, particularly for women entrepreneurs.

The program identifies a diagnosis based on competitiveness and productive inclusion gaps, as well as institutional weaknesses. A business environment presenting significant lags is found: Mexico ranks 48th out of 141 countries in the 2019 Global Competitiveness Report of the World Economic Forum (WEF). Furthermore, obstacles such as excessive paperwork and complex taxes often limit women's participation as business leaders. It is also found that institutional advances have proven insufficient to promote adequate levels of competitiveness in Mexico.

The proposed solutions focus on improving competitive incentives, promoting diversity, and institutional strengthening for a more efficient administrative process. These are appropriate to respond to the problems of (i) a precarious business environment and competitiveness; (ii) gender and productive inclusion gaps in competitive processes; and (iii) weak institutional capacity. The results matrix (RM) is consistent with the vertical logic of the project. The result indicators are appropriately defined to measure the achievements of the program and the fulfillment of its specific development objectives. All impact indicators are aligned with the general development objective.

The project does not provide an economic analysis based on the exception provided for this type of project.

The monitoring and evaluation plan includes an impact evaluation that will seek to generate evidence of the attribution of the program related to how the application of the Simplified Construction Window (VECS) impacts the transaction time of the processes to obtain a construction authorization, considering the Mexican municipalities as the unit of analysis. For this purpose, a quasi-experimental design will be implemented using the differences-in-differences method. All reference variables are based on administrative data. The rest of the indicators will be measured by the before and after method. The monitoring and evaluation activities will be carried out by the Ministry of Economy in coordination with the Bank.

POLICY MATRIX

Objective:	The general development objective of the programmatic series is to help increase the country's competitiveness. The specific development objectives are to: (i) reduce the cost of interactions between the government, individuals, and entrepreneurs; and (ii) promote a more inclusive business climate, particularly for women entrepreneurs.
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Components/Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
Component 1. Macroeconomic stability			
Maintain an economic framework consistent with the program's objectives and the sector policy letter.	1.1 Maintenance of a macroeconomic context consistent with the program's objectives and the guidelines established in the policy letter.	1.1 Maintenance of a macroeconomic context consistent with the program's objectives and the guidelines established in the policy letter.	Fulfilled
Component 2. Institutional alignment, coordination, and governance			
Implement an institutional governance framework to contribute to a better business climate.	2.1 Approval and publication of the Ministry of Economy's PROSECO 2020-2024, which establishes strategic benchmarks for economic development, innovation, domestic competition, regulatory improvement, MSME creation and consolidation, and economic equality across regions and sectors.	2.1 Commissioning of the Ministry of Economy's digital institutional monitoring system to monitor implementation of PROSECO, which sets strategic benchmarks for economic development, innovation, domestic competition, regulatory improvement, MSME creation and consolidation, and economic equality across regions and sectors.	Fulfilled (2022, Q2)

¹ This information is merely indicative as of the date of this document. Pursuant to the provisions of the document Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2), fulfillment of all the established disbursement conditions, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower submits the corresponding disbursement request and duly reflected in the disbursement eligibility memorandum.

Components/Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	2.2 Establishment of the United States-Mexico-Canada Free Trade Commission, the highest governance body of the USMCA, pursuant to its Article 30.1.	2.2 Establishment of the Committee on SME Issues, which will convene the Trilateral SME Dialogue. The committee and the dialogue are both USMCA mechanisms whose participants include Ministry of Economy officials, their counterparts from the United States and Canada, and representatives from the private sector, charged with promoting trade opportunities and exchanges of best practices for SMEs by issuing recommendations and providing information to facilitate international trade.	Fulfilled (2022, Q2)
	2.3 Establishment of Local Regulatory Improvement Councils in at least 15 federative entities.	2.3 Establishment of four specialized CNMR working groups designed to provide technical assistance to subnational efforts relating to the streamlining of government transactions and services, regulatory improvement programs, municipal regulatory improvements, and priority sector reforms, which will support the objectives of the local councils.	Fulfilled (2022, Q2)
	2.4 Publication by the National Regulatory Improvement Observatory of a methodology for the ENMR progress indicator.	2.4 Application by the National Regulatory Improvement Observatory of the indicator measuring subnational governments' progress toward implementation of the 2020 ENMR, which is the programmatic tool for coordinating the country's regulatory improvement policy.	Pending (2022, Q4)
		2.5 Development and submission by the Ministry of Economy of a proposal for a public-private and inter-agency coordination mechanism for mainstreaming gender in	Pending (2022, Q4)

Components/Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
		MSME development policy.	
Component 3. Digital tools for information management			
Promote the development and use of digital tools for information access and support for transactions between governments, companies, and individuals.	3.1 Approval by the CNMR of the guidelines and the specialized working group for ETS operation.	3.1 Approval by the Ministry of Economy of guidelines for the EEE and design and development of a first version of the platform for conducting two government transactions pertaining to business registration.	Fulfilled (2022, Q2)
	3.2 Commissioning of the virtual CNARTyS so data from authorities subject to the LGMR can be uploaded.	3.2 Integration of 15 federative entities into the CNARTyS with a view to strengthening access to information and service delivery at the subnational level.	Fulfilled (2022, Q2)
	3.3 Commissioning of the first stage of the DataMéxico digital platform, which consolidates, distributes, and displays data on the Mexican economy with over 20,000 geographic profiles in 10 industrial sectors, with a view to supporting decision-making.	3.3 Commissioning of the second stage of the digital Data México platform, with the addition of data on the aerospace, automotive, textile, information technology, and trade industries.	Fulfilled (2022, Q2)
	3.4 Design and commissioning of the Mujer ExportaMX digital platform, designed to support virtual business roundtables for women entrepreneurs in Mexico.	3.4 Commissioning of the second stage of the digital MIPYMES MX platform, with the addition of a module designed specifically to support women-led SME exporters.	Fulfilled (2021, Q4)
Component 4. Administrative streamlining and regulatory improvements			
Promote regulatory improvements and streamlining.	4.1 Development of a legal framework for quality infrastructure that includes technological and metrological criteria for	4.1 Approval and publication in the Federal Official Gazette of regulations for the legal framework for quality infrastructure.	Pending (2023, Q1)

Components/Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	the development of rules and standards.		
	4.2 Development of a legal framework for industrial property protection that streamlines the process of issuing trademarks and patents.	4.2 Commissioning of a streamlined virtual process for issuing trademarks and patents, defined by the Federal Industrial Property Protection Act.	Fulfilled (2022, Q2)
	4.3 Commissioning of the Calculadora de Origen digital platform, managed by the Ministry of Economy, to modernize and streamline access to tariff preferences under the USMCA.	4.3 Expansion of the scope of the Calculadora de Origen digital platform to include tariff preferences and facilities under the Pacific Alliance Treaties and the Latin American Integration Association Agreements, thereby streamlining access to international trade opportunities.	Fulfilled (2022, Q2)
	4.4 Publication by CONAMER of guidelines for the VECS, and adoption thereof in four municipios, and of guidelines for the SARE, and adoption thereof in 15 municipios.	4.4 Implementation of the VECS in six municipios and implementation of the SARE in 20 municipios, thereby streamlining government transactions at the local level.	Fulfilled (2022, Q4)
	4.5 Publication, by CONAMER, of guidelines and implementation of PROSIMPLIFICA certifications in four states and of PROREFORMA certifications in five municipios.	4.5 Implementation of PROSIMPLIFICA certifications in five states and PROREFORMA certifications in five municipios, thereby supporting regulatory improvements at the subnational level.	Fulfilled (2022, Q2)
Component 5. Transparency and trust			
Foster trust among individuals, entrepreneurs, and the government through greater transparency and less arbitrary government inspections.	5.1 Approval and publication of a legal framework for fostering public trust.	5.1 Commissioning of a digital computerized system for the Public Trust Registry and enrollment of at least 2,500 individuals and companies.	Fulfilled (2022, Q2)

Components/Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	5.2 Commissioning of a digital platform for the National Site Visit Registry so data from all levels of government can be uploaded to the CNARTyS.	5.2 Publication on the National Site Visit Registry of at least 600 inspections and 5,000 inspectors at the federal government level and data on inspectors and inspections for four federative entities.	Fulfilled (2022, Q2)
	5.3 Design, development, and testing of the CNARTyS public complaint module so individuals can demand the correct implementation of government transactions and services.	5.3 Commissioning of public complaint portals for at least five subnational governments, thereby facilitating public engagement in regulatory and service improvements.	Fulfilled (2022, Q2)
	5.4 Commissioning and online implementation of the USMCA portal and the USMCA Consultation Center for information and interaction with users with a view to fostering targeted transparency and responses to the concerns of businesses and individuals interested in trade opportunities.	5.4 Expansion of the features of the USMCA portal and USMCA consultation center, including data on revenue amounts and other trade statistics, greater accessibility of information for women entrepreneurs, classification of queries by type, and breakdown by sectors.	Fulfilled (2022, Q2)
		5.5 Launch by the Ministry of Economy of the “Emprendamos Juntas” program, with a view to strengthening access to information, transparency, and interactions with women entrepreneurs, and development of inputs for productive inclusion policies with a gender lens.	Fulfilled (2022, Q3)

RESULTS MATRIX

Project objective:	The specific development objectives are to: (i) reduce the cost of interactions between the government, individuals, and entrepreneurs; and (ii) promote a more inclusive business climate, particularly for women entrepreneurs. The general development objective of the programmatic series is to help increase the country's competitiveness.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective 1: Increase the country's competitiveness							
Indicator 1. Score on the "institutions" pillar of the Global Competitiveness Index.	Score	48.3	2019	2023	53.6	WEF report	With this score of 48.3, Mexico is ranked 98th out of 141 countries. The "Institutions" index consists of eight subcomponents: security, social capital, checks and balances, public-sector performance, transparency, property rights, corporate governance, and future orientation of government. The project will mostly impact the areas of public-sector performance, transparency, future orientation of government, and property rights. The target was calculated using the averages for Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay for 2019. These countries were chosen due to their economic importance and/or stronger performance on this indicator.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Comments
Specific development objective 1: Reduce the cost of interactions between the government, individuals, and entrepreneurs						
1.1 Aggregate regulatory burden ¹ of the federal government as a percentage of GDP.	% of GDP	3.39	2021	3.35	Data from CONAMER	See the monitoring and evaluation plan .
1.2 Aggregate regulatory burden ² of state governments as a percentage of GDP.	% of GDP	1.29	2021	1.26	Data from CONAMER	For the state indicator, the baseline is the average for the federative entities that have implemented the SIMPLIFICA program. However, a revision of the baseline may be warranted in late 2021 with the implementation of the CNARTyS due to the increase in the number of states that start using the methodology. See the monitoring and evaluation plan .
1.3 Individuals who cite bureaucratic hurdles to a government transaction as the largest obstacle to carrying it out.	%	85.1	2019	82	National Survey of Government Quality and Impact	The National Institute of Statistics and Geography conducts the survey once every two years. To date, it has published results through 2021. Historically, this indicator stood at 79.3% in 2013, 87.6% in 2015, 88.1% in 2017, and 83% in 2021. ³ See the monitoring and evaluation plan .
1.4 Average time taken for the IMPI to issue a patent or register a trademark.	Average time in months	24	2020	3	IMPI administrative data	The target was set at three months based on the pilot tests of the new digital applications for carrying out government transactions at the IMPI, taking into account the newly approved regulatory framework.

¹ Regulatory burden is defined as the economic cost of the time spent by individuals in carrying out their government obligations. The [SIMPLIFICA](#) methodology developed by CONAMER seeks to capture regulatory burden through the requirements established by the government agency for the individuals involved and the time taken by the agency to complete the transaction. The cost of regulatory burden is the sum of those two components and is represented as a percentage of GDP.

² Idem.

³ Survey data has been collected in the last few months of each odd-numbered year from 2011 to 2021, but results are published in the second quarter of the following even-numbered year. For example, the results of the 2021 survey were released in May 2022.

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Comments
1.5 Average time taken to issue a construction permit in municipios that are newly adopting the VECS program.	Average time in business days	30	2020	10	Data from CONAMER	At present, it takes an average of 30 business days to issue a construction permit in municipios that have not yet implemented the program. By project end, it should take 10 business days since that is the minimum target required for a municipio to obtain certification under the program.
Specific development objective 2: Promote a more inclusive business climate						
2.1 MSMEs that are women-owned or whose majority shareholders are women.	%	25.5	2017	28	National Survey of Business Financing 2018 (which measures data from 2017)	Pro-gender indicator See the monitoring and evaluation plan .
2.2 MSMEs that do not participate in a value chain due to a lack of information.	%	34.8	2018	30	National Survey of MSME Productivity and Competitiveness (2018)	The 2018 survey focused only on MSMEs at the national level, using the National Business Registry with a universe of 4,170,755 companies as the sampling framework. From that framework, the National Institute of Statistics and Geography developed a sample of 22,188 companies. The baseline indicator of 34.8% represents the 1,451,423 companies that do not participate in a value chain due to a lack of information. See the monitoring and evaluation plan .
2.3 Subnational indicator for regulatory improvement at the municipal level.	% of the indicator	30	2019	34	National Regulatory Improvement Observatory Subnational indicator for regulatory improvement: Report on municipal results (2019)	See the monitoring and evaluation plan .

OUTPUTS

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Responsible entity
Component 2. Institutional alignment, coordination, and governance						
2.1 Ministry of Economy institutional monitoring system for monitoring implementation of PROSECO, which sets strategic benchmarks for economic development, innovation, domestic competition, regulatory improvement, MSME creation and consolidation, and economic equality across regions and sectors, online and operational.	Internal website	0	2021	1	Ministry of Economy internal institutional monitoring system website and official letter from the Ministry of Economy including a PROSECO implementation monitoring report generated by that system.	Ministry of Economy
2.2 Committee on SME Issues, established. The committee will convene the Trilateral SME Dialogue. The committee and the dialogue are both USMCA mechanisms whose participants include Ministry of Economy officials, their counterparts from the United States and Canada, and representatives from the private sector, charged with promoting trade opportunities and exchanges of best practices for SMEs by issuing recommendations and providing information to facilitate international trade.	Document	0	2020	1	Report from the USMCA portal on the first Trilateral SME Dialogue. USMCA Report 117, 6 May 2022.	Ministry of Economy
2.3 Four specialized CNMR working groups, established. These specialized working groups will be designed to provide technical assistance to subnational efforts relating to the streamlining of government transactions and	Document	0	2021	1	Official letter from the Ministry of Economy confirming, in its capacity as a member of the CNMR, the establishment of the four specialized working groups designed to support subnational efforts relating to the streamlining of government	Ministry of Economy

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Responsible entity
services, regulatory improvement programs, municipal regulatory improvements, and priority sector reforms and will support the objectives of the local councils.					transactions and services, regulatory improvement programs, municipal regulatory improvements, and priority sector reforms.	
2.4 Indicator measuring subnational governments' progress toward implementation of the 2020 ENMR—the programmatic tool for coordinating the country's regulatory improvement policy—, applied by the National Regulatory Improvement Observatory.	Document	0	2021	1	Official letter from the Ministry of Economy containing results of application of the ENMR 2020 progress indicator provided by the National Regulatory Improvement Observatory.	CONAMER
2.5 Proposal for a public-private and inter-agency coordination mechanism for mainstreaming gender in MSME development policy, developed and submitted.	Document	0	2021	1	Pro-gender indicator Official letter from the Ministry of Economy presenting the proposal and criteria for the establishment of the public-private, inter-agency coordination mechanism.	Ministry of Economy
Component 3. Digital tools for information management						
3.1 Guidelines for the EEE, approved by the Ministry of Economy, and first version of the tool for conducting two government transactions pertaining to business registration, designed and developed.	Platform	0	2021	1	Publication of the guidelines in the Federal Official Gazette. Official letter from the Ministry of Economy confirming that the EEE is operational for the two government transactions pertaining to business registration.	Ministry of Economy
3.2 Fifteen federative entities, integrated into the CNARTyS with a view to strengthening access to information and service delivery at the subnational level.	Federative entities added	0	2020	15	CNARTyS statistics section, which documents that the integration of at least 15 federative entities into the catalog is under way.	CONAMER

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Responsible entity
3.3 Second stage of the Data México platform, with the addition of data on the aerospace, automotive, textile, information technology, and trade industries, online and operational.	Industries added	0	2021	5	Data México platform website, with data on the aerospace, automotive, textile, information technology, and trade industries added.	Ministry of Economy
3.4 Second stage of the MIPYMES MX platform, with the addition of a module designed specifically to support women-led SME exporters, online and operational.	Module	0	2021	1	Pro-gender indicator MIPYMES MX platform website , where the inclusion of a module designed specifically to support women-led SME exporters can be verified.	Ministry of Economy
Component 4. Administrative streamlining and regulatory improvements						
4.1 Regulations for the legal framework for quality infrastructure, approved and published in the Federal Official Gazette.	Document	0	2021	1	Publication of the regulations in the Federal Official Gazette.	Ministry of Economy
4.2 Streamlined virtual process for issuing trademarks and patents defined by the Federal Industrial Property Protection Act, online and operational.	Portal	0	2021	1	Website where the streamline virtual processed for issuing trademarks and patents can be accessed.	Ministry of Economy
4.3 Scope of the Calculadora de Origen digital platform expanded to include tariff preferences and facilities under the Pacific Alliance Treaties and the Latin American Integration Association Agreements, thereby streamlining access to international trade opportunities.	Treaties or agreements added	0	2021	2	Official letter from the Ministry of Economy confirming that the tool now includes the tariff preferences and facilities under the Pacific Alliance Treaties and the Latin American Integration Agreements.	Ministry of Economy

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Responsible entity
4.4 VECS, implemented in six municipios, and SARE, implemented in 20 municipios, thereby streamlining government transactions at the local level	VECS municipios	0	2020	6	Website that documents the number of municipios that have implemented the VECS and includes links for consulting the number of municipios that have adopted the SARE or the SARE Recognition and Operation Program .	CONAMER
	SARE municipios			20		
4.5 PROSIMPLIFICA certifications, implemented in five states, and PROREFORMA certifications, implemented in five municipios, thereby supporting regulatory improvements at the subnational level.	PROSIMPLIFICA states	0	2021	5	Website that documents the number of states that have implemented PROSIMPLIFICA, and website where users can consult the municipios that have adopted PROREFORMA.	CONAMER
	PROREFORMA municipios			5		
Component 5. Transparency and trust						
5.1 Computerized system for the Public Trust Registry, online, operational, and with at least 2,500 registered individuals and companies.	Registered individuals or companies	0	2020	2,500	Public Trust Registry website and link to the counter of registered users.	CONAMER
5.2 At least 600 inspections and 5,000 inspections at the federal government level and data on inspectors and inspections for four federative entities, uploaded to the National Site Visit Registry.	Number of federal government inspections and inspectors	0	2020	600 inspections 5,000 inspectors	Official letter from the Ministry of Economy confirming the number of inspections and inspectors registered on the federal National Site Visit Registry and website for consulting federative entity data.	CONAMER
	Number of federative entities with data uploaded			4 federative entities		

Indicator	Unit of measure	Baseline value	Baseline year	Project end	Means of verification	Responsible entity
5.3 Public complaint portals for at least five subnational governments, online, operational, and facilitating public engagement in regulatory and service improvements.	Portals	0	2019	5	Ministry of Economy memo certifying that at least five subnational government public complaint portals are operational.	Ministry of Economy
5.4 Features of the USMCA portal and USMCA consultation center expanded to include data on revenue amounts and other trade statistics, greater accessibility of information for women entrepreneurs, classification of queries by type, and breakdown by sectors.	Modules	0	2020	5	Pro-gender indicator Official letter from the Ministry of Economy confirming that the USMCA portal and USMCA consultation center now include data on revenue amounts and other trade statistics, greater accessibility of information for women entrepreneurs, classification of queries by type, and breakdown by sectors.	Ministry of Economy
5.5 “Emprendamos Juntas” program, which seeks to strengthen access to information, transparency, and interactions with women entrepreneurs and develop inputs for production inclusion policies with a gender lens, launched by the Ministry of Economy.	Document	0	2021	1	Pro-gender indicator Official press release on the approval and launch by the Ministry of Economy of the “Emprendamos Juntas” program, available on the MIPYMES MX platform.	Ministry of Economy

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Mexico. Loan ____/OC-ME to the United Mexican States.
Public Management and Transparency for Competitiveness Program II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the United Mexican States, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Public Management and Transparency for Competitiveness Program II. Such financing will be for the amount of up to US\$500,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2022)