

Background

This document summarises the key findings of OECD (2018), Territorial Review of Morelos, Mexico: Monitoring Progress and Special Focus on Accessibility, OECD Publishing, Paris.

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Territorial Review of Morelos, Mexico: Monitoring Progress and Special Focus on Accessibility

Highlights



Contents

Setting the scene.....3

Overview of advancements.....5

Human capital and skills.....8

Integrated territorial development.....12

Governance and finance.....17

Setting the scene

The context of the Morelos Monitoring Review

The Review is a **follow-up study** to the OECD Territorial Review (TR) of Morelos, Mexico carried out in 2016, approved by the OECD Regional Development Policy Committee on 7 November 2016 and published in 2017.

The TR identified **12 main recommendations and 39 sub-recommendations** to the State of Morelos, ranging across the policy sectors of human capital and skills, integrated territorial development, governance and finance.

The recommendations seek to help Morelos improve its economic performance and the

well-being of its citizens through the mobilisation of its assets. The state has a diversified economy, a youth premium, a favourable geographic location and is rich in natural and cultural amenities. These assets can lead the state to overcome bottlenecks for development, notably low education levels and informality of the labour market. The creation of the first Council for Human Capital at the state level in Mexico and policies to promote inclusive growth and innovation indicate that the state is aligned with the priorities set in the recommendations.

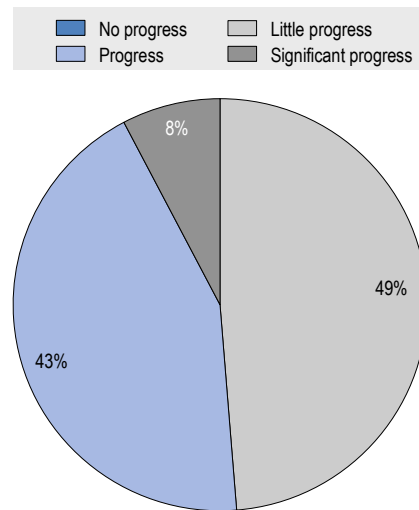
Recommendations of the 2017 OECD Territorial Review of Morelos	
Human Capital and Skills	
1	Improve the quality of basic education, especially in peri-urban areas and lagging rural communities, and increase participation in upper secondary and tertiary education
2	Ensure training programmes are more responsive to the needs of the economy and target the informal sector too
3	Improve knowledge creation, diffusion and exploitation
4	Strengthen the role of the Council for Human Capital to promote the upskilling of the labour force and an integrated vision
Integrated territorial development	
5	Spatial planning requires a better implementation strategy
6	Urban policies should design and implement policies at the metropolitan scale
7	Rural policy must go beyond agriculture and develop further synergies with the tourism sector
8	Accessibility of the region should strengthen both a. connections to external markets in neighbouring states and export and b. internal connectivity
9	Preserving the environment by co-ordinating and implementing policies to mitigate climate change
Governance and finance	
10	Foster co-ordination of the state administration with municipalities, and with neighbouring states
11	Improve governance mechanisms and the business climate
12	Morelos should improve the management of its own funds, including transfers to municipalities

Overview of advancements

Since the 2017 report, the State of Morelos has made progress in all of the 12 recommendations, with significant progress in implementing 8% of the sub-recommendations, progress in 43% of them and modest progress in the remaining 49%.

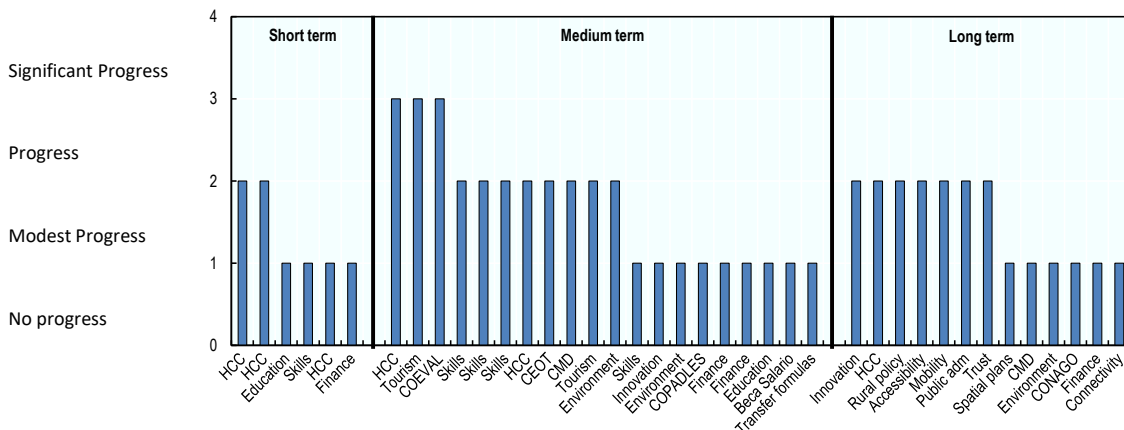
Morelos has advanced in all recommendations identified in the 2017 TR. Progress was made in 43% of the sub-recommendations (17 out of 39), meaning that significant changes have been undertaken. The restructuring of the Human Capital Council is noteworthy, and so are the continuous efforts to strengthen the innovation system in Morelos. Modest progress was recorded in 49% of them (19 out of 39), hence further efforts are still needed to support implementation. Finance and taxation are challenging areas in which stronger advances are yet needed. For the remaining 3 sub-recommendations (8%), Morelos made very substantial progress. The state's commission for evaluation and monitoring (COEVAL) has solidified its actions, and tourism policies have been better defined and become more strategic.

Figure 3. Progress on sub-recommendations



Considering the timeframe of each sub-recommendation, 15% are to be implemented over the short term (0 to 1 year), 51% over the medium term (1 to 3 years) and 33% over the long term (more than 3 years). Short-term changes could be observed in the structure and organisation of the Human Capital Council. The most significant advances are found in the group of medium-term recommendations, notably regarding skills development, tourism and rural policy. Long-term changes, such as building trust in the public administration, consolidating metropolitan spatial planning and enhancing the state's internal connectivity, have shown understandably less rapid change at this stage and require stronger commitment to be fulfilled.

Figure 4. Progress by timeframe



Reconstruction and recovery efforts after the earthquake

On 19 September 2017, an **earthquake** of 7.1 magnitude hit Morelos, Puebla and the Greater Mexico City area, the deadliest one of the past 32 years in the country, amounting to 369 casualties. In Morelos, it caused 74 casualties and 1 944 physical injuries. 7 410 homes suffered total loss, and 16 386 were partially affected.* Medical centres, schools, public offices, historic buildings, hydraulic infrastructure and roads were also damaged.

The state's **emergency response** was well-coordinated with municipal authorities of civil protection. In the 33 municipalities, a civil servant from the state government cabinet was appointed as liaison staff to lead the emergency response. Rescue actions included new Emergency Operations Centres and shelters, isolation of risk sites, transfer of the wounded to hospitals and casualties' registry.

The state reconstruction strategy has been broad. Reconstruction of damaged public infrastructure has been a priority. Financial support has been provided to entrepreneurs and firms to recover their businesses. Psychological services were put at the disposal of the affected population. The deconcentrated state agency **Unidos por Morelos** is responsible for the housing reconstruction efforts. Accredited citizens receive financial compensation, which can be used to purchase a house built by private foundations, or to acquire materials. The state commission COEVAL is monitoring this process and will assist in evaluating the strategy.

Such comprehensive reconstruction efforts have diverted state resources from previously agreed actions and programmes. With less financial resources, less personnel and an altered course of action, the State of Morelos has understandably invested less in the policy areas not directly concerned by reconstruction and recovery. In this sense, the impacts of the earthquake negatively affect the progress of the recommendations made in the 2017 TR.

* Numbers stipulated by October 31st, 2017.

Indications for future progress:

The State of Morelos can further leverage their policy response, in order to improve infrastructure and foster well-being, along the following lines:

- Ensure **safety in reconstructing** schools, hospitals, fire stations and public buildings.
- Revise **spatial planning and urban development plans**, with the goals of resilience and environmental sustainability.
- **Housing resettlement** must attend the most vulnerable population first and be connected with public transport networks.
- Monitor closely the **quality of housing** reconstructions led by private foundations.
- Provide **technical assistance** to citizens who opted for self-construction of housing.
- In the **property registry process**, beware of pre-existing rights and promote women's tenure security.
- Invest strongly in **data collection**, develop **disaster reduction management planning** and promote **transparent risk governance**.



Towards a comprehensive approach to logistics and transport

Connectivity and logistics are key structural enabling factors for inclusive growth and well-being. Improved connectivity will reduce transport costs for businesses based in Morelos, expand the market for local producers and achieve better integration with centres of production and consumption across Mexico. Policies to improve connectivity must be complemented within the framework of policies addressing other enabling factors (education, innovation and business environment).

Road connectivity investments comprise the *Autopista del Sol* running through the capital Cuernavaca, which is a key north-south federal highway connecting Mexico City to Acapulco and the south border. Investments have also been made to strengthen east-west road connections, particularly the link with Puebla, and in regional airports.

The state is rehabilitating a 103 km section of freight rail. Currently, Morelos has 259 km of rail alignments but no operational railway line. The link will run from the Cautla industrial park north to La Paz, an inter-conecion point in the southeast of the Mexico City conurbation. Together with the industrial park, the rail line will serve agricultural businesses in the region and a new intermodal container depot aimed at developing a more diversified economic pole in

Cautla. Shifting freight from road to rail will reduce air pollution and increase road safety, which are important secondary objectives.

Indications for future progress:

- **Strategic, medium-term planning** can foster a more balanced vision of development, overcoming short-termism.
- Implement **cost-benefit assessments and impact assessments** more consistently, in order to identify promising projects and measure risks.
- Adopt **public policy statements** on strategic infrastructure planning for connectivity. Current policy documents focus on the details of individual investments but lack an explanation of the approach to project prioritisation and value for money.
- To **strengthen evidence-based decision-making**, make use of already existing data on traffic and modelling of freight flows.
- Collaborate more closely with **national regulators** with the goal of benefitting from their capacity in analysing particularly complex processes and projects.



Human capital and skills

Morelos needs to continue to improve the quality of basic education, especially in peri-urban and lagging rural areas, and increase participation in upper secondary and tertiary education



The state has boosted investments in human capital and the quality of education in schools. However, given the short amount of time since the 2017 TR, limited progress has been attained on the specific measures indicated in the three sub-recommendations below.

A positive step was to request state funding (via the *fideicomiso*) for a software development project, to centralise data collection in schools (sub-recommendation 1). The state still needs to develop and implement the software. A related step would be to create a single cadastre to follow the educational trajectory of students .

There are specialised programmes to support schools in lagging rural areas, but specific measures to identify low-performing students are to be developed (sub-recommendation 2). The state needs to invest further on school infrastructure in lagging-communities, create specific tutoring or after-school programmes to aid under-performing students and provide specific financial aid to Indigenous students. The state should also include Indigenous school abandonment as an indicator in the PED and monitor progress on it.

The *Beca Salario* programme has not been modified, maintaining its distributive character. The universal design might fall short on more effectively targeting students at risk of abandoning school for financial reasons (sub-recommendation 3). An ongoing diagnostic study is assessing the effectiveness of the programme, which may lead to evidence-based policy change in the future. The state should also consider other forms of assistance to students, such as public transport passes and meal tickets.

Sub-recommendations	Progress	Timeframe
1. Centralise data collection about schools and student performance.	Modest progress	Short-term
2. Introduce early measures to identify and support low performing students and mobilise specialised staff for remedial support in lagging rural areas.	Modest progress	Medium-term
3. Revise the schemes of financial student support guaranteeing that it is targeted at those who need it the most.	Modest progress	Medium-term

Training programmes in Morelos need to be more responsive to the needs of the economy and also target the informal sector too

The second recommendation comprises training and certification programmes, job placement services and teaching entrepreneurial skills.

Solidifying vocational training in the secondary and tertiary levels can ensure better skills matching in the labour market. The State of Morelos has made progress with the creation of apprenticeship courses on tourism and gastronomy.

The transition of workers from the informal to the formal sector can be supported via skills certification programmes.

In Morelos, the capacitation for self-employment is quite basic and not enough diversified across different stages of business development.

The development of entrepreneurship skills from the early ages, as documented in many OECD studies, is key to stimulate business creation and the dynamism of the economy. Morelos has taken important steps with the opening of a youth entrepreneurship centre and the organisation of youth business innovation camps.



Indications for future progress:

- Expand **apprenticeship programme** to other industries, especially to strategic high-skill sectors, such as ICT, energy and automobile.
- Support **financial security** of tertiary education students with scholarships and apprenticeship programmes.
- Solidify the role of accredited **CONOCER centres in skills certification**.
- **Job counselling and job matching** services need a broader range.
- Include **non-cognitive social and emotional skills** in the teaching methods of early education, through collective activities and arts ateliers.

Sub-recommendation	Progress	Timeframe
4. Better involving the private in the program designs and provision of work-based learning opportunities for young people.	Progress	Medium-term
5. Develop entrepreneurial skills early on in the education programs	Progress	Medium-term
6. Improving the effective counselling and job placement services.	Modest progress	Short-term
7. Develop skill certification for both informal and formal workers.	Modest progress	Medium-term

Innovation is the road to the future: Morelos needs to improve knowledge creation, diffusion and exploitation

Morelos has strong potential for innovation, given the concentration of 44 research centres in the region. Nonetheless, limited access to markets and geographical concentration of research hampers this potential. Morelos needs to develop a more outward-looking innovation system.

Driven by the Ministry for Innovation, Sciences and Technology, progress has been made. By hiring new specialised staff, the ministry is better equipped to give business and legal advice to companies. The Ministry signed an agreement with a start-up incubator in the Netherlands, which has ensured financial aid and product development support to 3 companies so far. In 2017, the ministry offered capacitation to 59 business owners and 177 researchers on

how to design joint innovative projects and apply for federal funds. Moreover, the Ministry gave continuity to two programmes that provide seed funding to new companies, *InnovaTIC* and *Primer Impulso*.



Indications for future progress:

- Develop **written guidelines** or rulebook on how to start a company.
- **Institutionalise existing networks** and ensure channels reach more stakeholders.
- Invest in an automated platform to **connect business needs and research profiles** in order to improve communication and generate new opportunities.
- **Improve outreach to firms** beyond S&T, to include innovation in services and social innovation.
- The programmes *InnovaTIC* and *Primer Impulso*, which offer access to seed funding streams, require **constant support**.
- Tools such as **innovation vouchers and fairs** can create opportunities to fund businesses.
- Invest in **co-financing model for business development**, combining private and public funds.

Sub-recommendation	Progress	Timeframe
8. Supporting the commercialisation of innovative ideas.	Progress	Medium-term
9. Improve access to capital and financial support for knowledge-based start-ups	Modest progress	Medium-term
10. Bridge the gap between public research facilities and the business sector with co-operation mechanisms	Progress	Long-term

Morelos needs to continue to strengthen the role of the Council for Human Capital to upskill its labour force and an integrated development

The fourth recommendation refers to strengthening the role of the Human Capital Council. The Human Capital Council, the first of its kind in Mexico, has the mission to improve human capital development and innovation across the state. Beyond the current mandate of matching and networking, the Council should expand its role to undertake analyses of current and future skills required in the labour market.

Since the 2017 Territorial Review of Morelos, the Human Capital Council has made progress by better defining its structure, mission and objectives. It has also substantively taken up

its role as co-ordinator and has strongly reached out for the different stakeholders, including government bodies, academia and business representatives, from each one of the sectors defined as strategic for the economy. Education was made a transversal group, given its impact on the other economic sectors, as well as Innovation and Research. The Council co-ordinator has played a leading role in organising activities and reaching out to partners. In the field of policy monitoring and evaluation, the Council has set up 9 indicators to monitor progress, but they merit some reconsideration.

Indications for future progress:

- Hire a second **co-ordinator**.
- Continue with outreach and have **clear plan of work**.
- Elaborate **key common objectives** that two or more groups can work together in.
- Develop **long-term goals** with related targets and strategies of how to achieve them.
- Involve a **broader range of stakeholders** and create more organic relationships, following the model of Eindhoven, Netherlands.
- Involve the **SNE and ICTAMOR** in matching business needs and training opportunities.
- Complete **diagnostic study of labour market demand for skills**.
- Invest in conversations about the **future of work**, together with academic institutions.
- Broaden the **scope of participants**, by making use of technology to hold virtual meetings, inviting women to be part of the Council, and approximating calendar of meetings with the one of large events to gather representatives from all over the state.
- Adopt indicators that reflect **outputs** of actions carried out by the Council itself, and that account for the quality of actions, such as outcome indicators.
- Invest in a structured mechanism to **monitor and evaluate progress** in the long run, in dialogue with COEVAL.

Sub-recommendation	Progress	Timeframe
11. Better define the Council's mission and operating model.	Progress	Short-term
12. Work closely with state labour market training agencies in the definition of priorities.	Progress	Medium-term
13. Ensure a more varied composition of sectoral representatives.	Progress	Short-term
14. Adopt a demand-led approach to training content by involving the private sector into the early definition of programmes.	Progress	Long-term
15. The definition of sectoral groups should not preclude cross-fertilisation with the participation of thematic areas in sectorial activities to develop a common vision.	Significant Progress	Medium-term
16. Measure and evaluate the HCC's outcomes based on agreed targets.	Modest progress	Short-term

Integrated territorial development

Spatial planning requires a better implementation strategy

The current system of land use planning still lacks a full pledged **integrated vision of the territory** and of urban development policies. This can be partially attributed to the sectorial inclination of national urban policies and the fact that the state has to follow national regulations. Despite this, insufficient participation, accountability and enforcement are persistent challenges. To make reforms effective, **long-term efforts and co-ordinated actions** with other levels of government are necessary. The two sub-recommendations focus on improving the spatial planning system and on ensuring the continuity and enforcement of adopted plans.

Morelos has made progress in this area by creating **the State Council for Spatial Planning** (*Consejo Estatal de Ordenamiento Territorial – CEOT*) in 2017. This council replaces the former CEDU, with a leaner composition and stronger technical competencies (sub recommendation 18). The council needs to get involved in planning processes which are today scattered across policy sectors. Moreover, the council needs to act as an intermediary between state and municipalities in such matters, for which it could seek to become closer with the Institute for Municipal Development and Strengthening of the State of Morelos (IDEFOMM).

Nonetheless, **accountability and continuity** to territorial and urban development plans merit stronger attention (sub-recommendation 17). The Ministry for Sustainable needs sufficient staff with capacity to update, co ordinate, enact

and implement plans. To improve accountability, he websites to publish projects, documents and environmental violations should be updated.

The **revision procedure of the State Programme for Sustainable Land Management and Urban Development** (PEOTyDUSM) is ongoing. Public consultations took place in December 2017. After the programme is updated, the state needs to instruct and train municipal civil servants to adopt municipal programmes that lie in accordance with such state regulations. As of today, municipalities do not receive sufficient training to perform their functions, and when plans are designed, they are often not enacted. This way, implementation of spatial planning remains low, and co-ordination between state and municipal levels, too.

These **long-term challenges can be addressed** by:

- Investment in competent **staff**.
- Direct representation of **municipalities** in the CEOT.
- CEOT should liaise with IDEFOMM to increase **brokering** role between state and municipal levels.
- Broader **consultation** processes.
- **Revision** of the PEOTyDUSM.
- Availability of **information** online.
- **Capacitation** of municipal civil servants.

Sub-recommendations	Progress	Timeframe
17. Build more accountability into the spatial planning system and ensure the continuity of territorial and urban development plans.	Modest progress	Long-term
18. Create an independent council, with technical competencies, to assure continuity and effective implementation of long-term spatial planning.	Progress	Medium-term

Urban policies should design and implement policies at the metropolitan scale

Morelos has two metropolitan areas (Cuernavaca and Cuautla) recognised by the national statistics office (INEGI). Both receive resources from the Federal Metropolitan Fund, which are managed by the two correspondent Councils for Metropolitan Development. These councils tend to have too many actors and lack the active involvement of the Ministry for Mobility and Transport, an essential actor to ensure coherence in urban planning and to reap the benefits of agglomeration. Funds tends to finance small municipal projects rather than comprehensive metropolitan initiatives.

The state has made progress in this area by including the State Ministry for Mobility and Transport as a permanent member of the Council for Metropolitan Development of Cuernavaca (sub-recommendation 19). It is yet to be seen how the state ministry will be able to make their voice heard in the Council.

The Councils of Cuernavaca and Cuautla have still not adopted long-term, integrated strategies for metropolitan development, and ongoing projects still lack a clear metropolitan dimension (sub recommendation 20).

Indications for future progress:

- Promote an **integrated vision of metropolitan planning**, aligning land use governance and transportation development.
- Invest in skills development of **personnel**.
- Engage with the **citizenry** throughout the whole process.
- Develop **diagnostic** studies to support evidence-based reforms.
- Make long-term commitment to enact and implement them., beyond electoral cycles.

Sub-recommendations	Progress	Timeframe
19. Reduce the number of actors in the governance of metropolitan areas but include the State Ministry for Mobility and Transport in the co-ordinating agency of the metropolitan areas.	Progress	Medium-term
20. The Metropolitan Fund should respond to a comprehensive urban development plan.	Modest progress	Long-term



Rural policy must go beyond agriculture and develop further synergies with the tourism sector

Following the rural development framework adopted across OECD countries, the 2017 TR invites Morelos to take a **multi-dimensional approach to rural development**, going beyond agriculture and leveraging synergies with other sectors such as tourism. This policy entails a bottom-up approach to development and investment in productive regional assets and in well-being, rather than compensatory measures based on subsidies. Such approach also requires maintaining rural amenities and biodiversity, with the aim of supporting Morelos' tourism industry.

The State of Morelos has made progress on sub-recommendations 21 and 22, and significant progress on sub-recommendation 23. New routes of rural tourism are being developed around premium products such as rice and avocado. Training courses in the fields of tourism and agriculture are being offered, and certificates of quality are being awarded. The eco-tourism programme called *Pueblos Mágicos* (Magical Towns) is getting international recognition and attracting visitors to the area. The regional brand *Orgullo Morelos* has been expanding and consolidating.

Indications for future progress:

- **Consolidate** capacitation and training programmes for tourism and gastronomy, with special emphasis to eco-tourism, organic agriculture, traditional cuisine and sustainable tourism practices.
- Involve the Human Capital Council in the elaboration of capacitation and training programmes.
- Enact and implement the **Strategic Plan for Rural Tourism**.

- Develop an **action plan** for the routes of avocado, rice and goat cheese, giving consideration to associated hotels and restaurants, road infrastructure, broadband coverage and enhanced quality of agricultural produce.
- Elaborate strategies to promote **food exports** and reach international markets, in relation to the touristic routes.
- Restore the convents which are part of the heritage of the **route of convents**.
- Consolidate the **Economic Areas of Environmental Value (UEVA)**, after diagnostic is complete.
- Support **sustainable economic activities** developed by local communities within the newly-consolidated UEVAs, with the aim of generating wealth for the local communities, promoting their collective well-being and preserving the environment.
- Continue supporting **local gastronomy** by promoting traditional ingredients; organising culinary events; participating in international fairs; capacitating chefs; and helping restaurants obtain certificates of excellence and cultural representativeness.
- Consolidate the **Orgullo Morelos** brand.
- Support **entrepreneurship** by offering legal advice to business formation; facilitating bureaucratic procedures and informing about licensing; investing in programmes that support marketing and brand development; and training eco-tourism guides.
- Improve **road infrastructure**.
- Invest in **broadband connectivity** in rural and remote areas.

Sub-recommendation	Progress	Timeframe
21. Adopt a multi-dimensional territorial approach to rural areas going beyond agriculture and channel financial resources towards productive investment projects.	Progress	Long-term
22. Develop tourism policies in co-ordination with other policy areas and in accordance with environmental preservation.	Progress	Medium-term
23. Elaborate and deliver appropriate training to upskill workers in the tourism sector. Develop support for tourism entrepreneurship.	Significant progress	Medium-term

Accessibility of the region should strengthen both its internal and external connectivity

This recommendation stresses the importance of investing in transportation and mobility to capitalise on Morelos' geographic position, close to Mexico City and on the routes to the Atlantic and Pacific Coasts. These investments can bring three sets of benefits: improved mobility for state residents; stronger connectivity with the neighbouring states of Puebla, Mexico and Guerrero; and more accessibility to external markets via the coasts.

Morelos has made progress in improving its connectivity with Mexico City and to the coasts, with the construction of the Highway XXI Century and the project of the railroad station in Cuautla (sub-recommendation 24). The goal of sustainable urban mobility received considerable attention from the government in the past year (sub recommendation 25). Several items were advanced: organisational change with the creation of the State Council for Spatial Planning (CEOT) and the update of the Air Quality Programme (PROAIRE); creation of a green zone of Cuernavaca; and conversion of 3 000 taxis to natural gas. The internal connectivity of the state, including rural areas and marginalised

municipalities, has not advanced sufficiently. Roads affected by the earthquake, however, are being reconstructed under the Fonden Road Plan, and dirt roads are being paved under the State Road Plan (sub-recommendation 26).

Indications for future progress:

- Carry out **diagnostic** study to identify needs and solutions for public transportation.
- Implement **pedestrian zones** in Cuernavaca, as planned.
- Continue **paving roads** to expand internal connectivity.
- Complete the **Cuautla rail railroad project** in coordination with the rail regulator ARTF, particularly with regard to meeting safety requirements and approvals where roads cross the railway.
- Make conversion to **natural gas** a condition for renewing bus concessions.
- Better connectivity has to be complement by **development policies** (human capital and skills).

Sub-recommendation	Progress	Timeframe
24. Investments in railroad and road networks should continue to improve the accessibility of the region to external markets.	Progress	Long-term
25. Improve urban mobility while taking into account the environmental dimension.	Progress	Long-term
26. Strengthen internal connectivity by better connecting marginalised municipalities.	Modest progress	Long-term

Preserving the environment by co-ordinating and implementing policies to mitigate climate change

This recommendation addresses sustainable development under three aspects: comprehensive **planning**; **co-ordination** at national and international levels; and non-fossil fuelled **transportation**. Tackling environmental challenges requires planning and co-ordination across a wide range of policy sectors, not only transportation but also housing, environmental preservation, tourism, agriculture and energy.

The State of Morelos has made progress in this recommendation. The state is revising and promoting different planning instruments regarding risk, sustainable development and spatial planning, such as the PEGROTM, the PEOTyDUSEM and the PROAIRE (sub-recommendation 27). These plans are yet to be implemented, and municipalities will need to harmonise their own plans and programmes with those. On non-fossil fuelled transportation, the state supported the conversion of 3 000 taxis to natural gas. The transition to natural gas in public transportation modes such as buses

is missing, especially since the Morebus project was postponed (sub-recommendation 29). Lastly, the state of Morelos has signed international co-operation agreements in the past, but the engagement in outreach and partnerships can become more strategic, in liaison with national authorities (sub-recommendation 28).

Indications for future progress:

- Develop action plan to implement the **PEGROTM**, in connection with Risk Atlas.
- Support municipalities in developing their own **risk atlases** by offering capacitation and assisting in channeling funds.
- Elaborate **diagnostic** of the main deficiencies of the state and how to overcome them with the support of international co-operation.
- Continue promoting portfolio of projects of **renewable energy and energy sufficiency**.

Sub-recommendation	Progress	Medium-term
27. Design and implement a comprehensive plan for environmental protection	Progress	Medium-term
28. Foster the connection of state programmes to national and international environmental programmes	Modest progress	Long-term
29. Promote the substitution of fossil combustion with gas for public transportation	Modest progress	Medium-term



Governance and finance

Foster co-ordination of the state administration with municipalities, and with neighbouring states

Improving co-ordination with other regions can bring benefits in public service provision, economic growth, administrative capacity and reinforced bargaining power vis-a-vis the central government. Key institutions such as the COPLADES can help better aligning strategic planning objectives between the state and municipal levels while providing enough room to adapt policies to the local context.

There has been modest progress for the two elements of this recommendation, yet the potential for improvement remains high. Indeed, the co-ordinating role of the CONAGO has been maintained, but not strengthened (sub-recommendation 30). In enhancing relationships with neighbouring states, some co-operation agreements in the relevant areas of research and tourism have been signed. Strategic meetings between ministers of economic development have continued taking place. Co-ordination between the state and municipal levels shows some evolution (sub-recommendation 31). Relationships have been strengthened via an enhanced presence of representatives of the state at the meetings of COPLADEMUN. The state has also signed an agreement with some municipalities to channel resources from PRODIM to improve territorial planning and build an atlas of risks.

Indications for the future progress:

- Leverage the deeper knowledge of the economy coming from the **Human Capital Council** to better target co-operation.
- Make the most out of the recent infrastructure investments to **improve connectivity** with neighbouring states.
- The role of the **COPLADE** needs to be further clarified.
- Local challenges should be able to feed **regional development plans and policies**.
- **Fiscal incentives** could contribute to better align policies across levels of government and invite municipalities to further invest in capacities at the local levels as well as the development of planning instruments.
- Building **across levels of government** will be essential to enhance co-ordination.

Sub-recommendations	Progress	Timeframe
30. The State of Morelos should seek strategic alliances with neighbouring regions and leverage the CONAGO forum.	Modest progress	Long-term
31. Strengthen the roles of the COPLADES to improve strategic co-ordination between state and local administrations.	Modest progress	Medium-term

Improve governance mechanisms and the business climate

Restoring trust in the public administration, simplifying administrative procedures and enhancing state accountability remain pressing issues in Morelos, as it is for Mexico. Addressing these issues requires a long-term perspective.

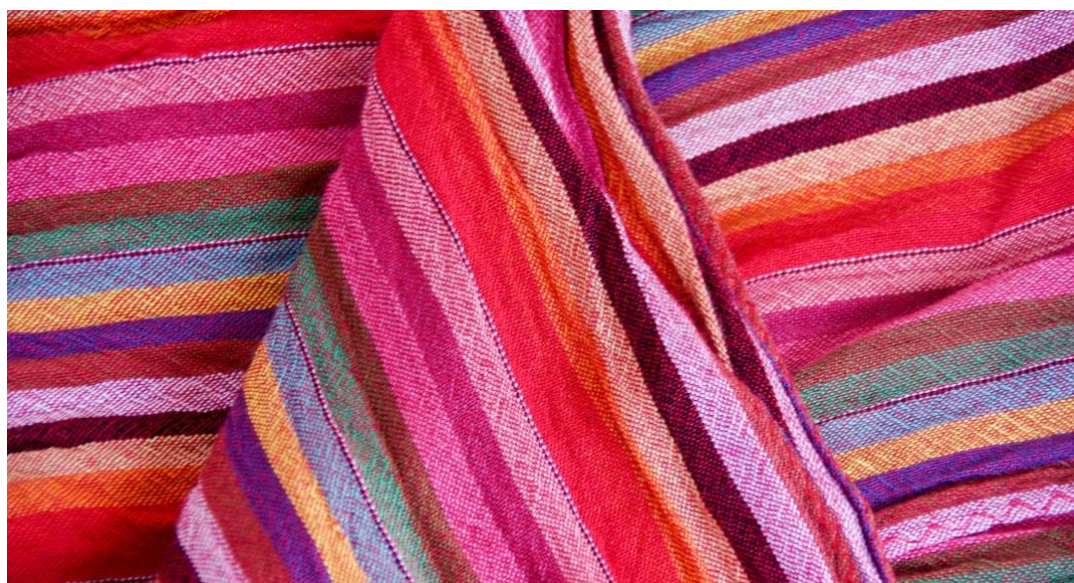
Progress on these three fronts has been overall significant. A legal reform requires the administration to develop medium- and long-term planning strategies, but little evolution has been made on the development of a more stable civil service in the public administration (sub-recommendation 32). Reforms have also been undertaken to adapt the national anti-corruption regulation to state law, but some political frictions and legal suits are still preventing the approval of the law; and no advancement has been made to provide a single-stop shop allowing citizens to navigate the myriad of available funds (sub-

recommendation 33). Finally, the evaluation mechanisms for social policies has been strengthened with the augmented provision of funds and human resources to the commission COEVAL (sub-recommendation 34).

Indications for future progress:

- Ensure strong relationship between **planning and budgeting**.
- Focus more on **long-term objectives** with indicators based on outcomes.
- Ensure enough resources for the **COEVAL** to train and evaluate municipalities
- Include more qualitative elements in the **transparency** mechanisms and citizen-friendly data provision.
- Finalise the legal and institutional arrangements of the national **anti-corruption scheme**.

Sub-recommendation	Progress	Medium-term
32. Strengthen public administration and its long-term planning and implementation capacities.	Progress	Long-term
33. Restore trust in the public administration by adopting the national anti-corruption policy and creating mechanisms for transparency and accountability.	Progress	Long-term
34. Strengthen the capacities and scope of the State Council for the Evaluation of Social Development.	Significant progress	Medium-term



Morelos should improve the management of its own funds, including transfers to municipalities

This recommendation concerns the management of state funds in order to improve the state's capacity to raise revenues and spend them efficiently.

Progress has been positive. Some steps have been taken to increase the tax base at the regional level (sub-recommendation 35). **Agreements** have been signed between regional and some municipal tax administrations to transfer coercive power to the regional tax administration in an effort to pull resources and increase administrative capacities (sub recommendation 36). **Training** of municipal public servants specialised on fiscal matter is also being undertaken (sub-recommendation 37). The **quality of public expenditure** is expected to improve (sub-recommendation 39).

Regarding the **transfer formulas**, the state could attach spending of funds by municipalities to priorities defined in their strategic plans and monitor the impact of how funds are actually used by municipalities. They could also establish an incentive system for municipalities, which may be based on revenue collection rates in a given period (sub-recommendation 38).

These efforts go in the right direction. For changes to be promoted in the medium- and long-term, a more complex set of answers is required, as well as stronger political buy-in from the different stakeholders.



Sub-recommendation	Progress	Medium-term
35. Undertake an audit of both the tax base and the tax collection mechanisms to improve own revenue collection in the State of Morelos.	Modest progress	Short-term
36. Improve property tax revenue by updating cadastres, and then effectively collecting taxes.	Modest progress	Long-term
37. Support local governments in increasing revenue from municipal services.	Modest progress	Medium-term
38. Reform the transfer formulas to create incentives based on needs and policy outcomes.	Modest progress	Medium-term
39. Resources for productive investments should have a results-oriented assignment mechanism conditional on co-ordination between municipalities	Modest progress	Medium-term

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