

**GOBIERNO
FEDERAL**

SE

Regulatory policy at the Crossroads, Towards a new Policy Agenda


Felipe Duarte Olvera
**Undersecretary of Competitiveness and
Standards**

October 2010



Vivir Mejor

Contents:

- 
- I. Regulation as key element of nations' competitiveness.
 - II. Mexico's strategy and working plan.
 - III. Results achieved.
 - IV. Challenges ahead.

Build a common language to obtain society's engagement.

- Markets' efficiency is given by transactions among consumers, product or service providers and governments.

Regulatory Reform key concepts:

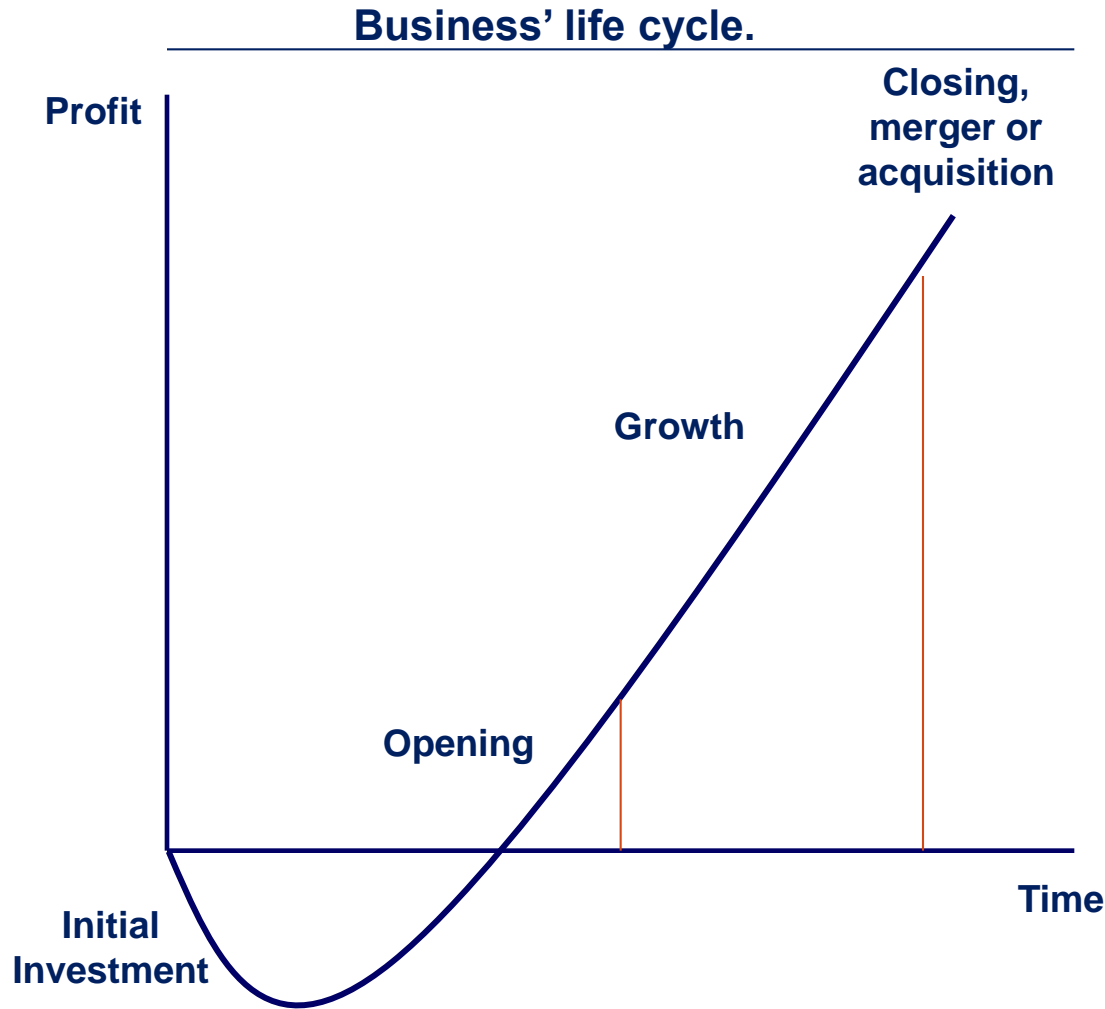
- i. Productivity
- ii. Risks
- iii. Transaction costs



Society's engagement and roles


- Citizens or Consumers, as beneficiaries of innovation and productivity.
- Businessman or entrepreneurs. Generate and obtain value through productive activities.
- Government. Risk assessment and enforcement.

A comprehensive approach should consider that regulation impacts businesses through their life cycle.



- The aim is to have efficient regulation during the different stages of business activities.

Contents:

- I. Regulation as key element of nations' competitiveness.
-  II. Mexico's strategy and working plan.
- III. Results achieved.
- IV. Challenges ahead.

Regulatory Reform strategy

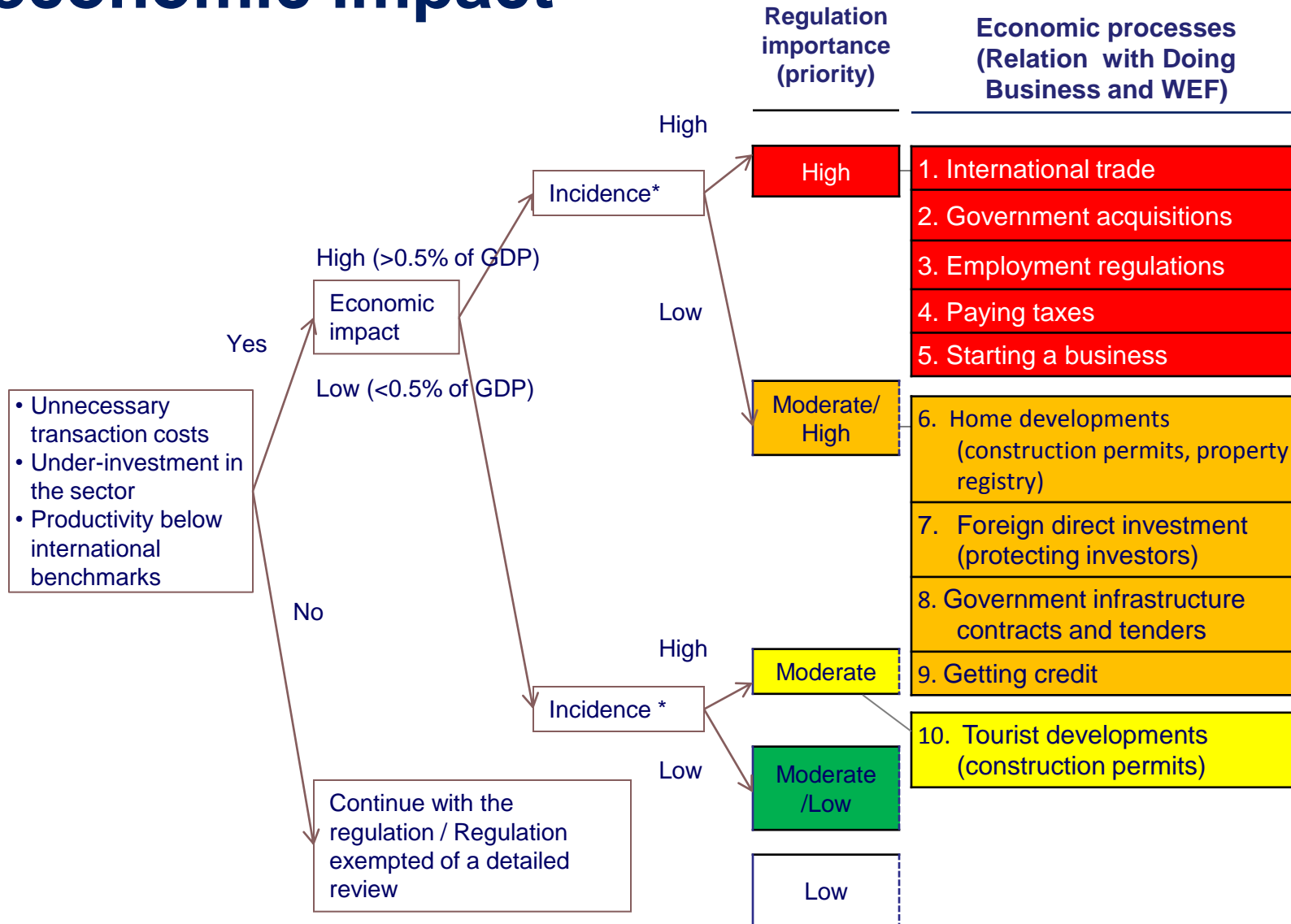
Objective and working premises

- Build a regulatory framework centered in the citizen, to increase competitiveness and promote development.
 - i. Liberate potential economic value in the economy eliminating unnecessary transaction costs.
 - ii. Use an approach of economic and business processes.
 - iii. Facilitate interactions between the citizen and state's services by improving certainty, quality and transparency.

Action lines

1. Revision of regulations with major economic impact.
2. Reduction and simplification of internal regulations in the Public Administration.
3. Regulatory improvement at State level.

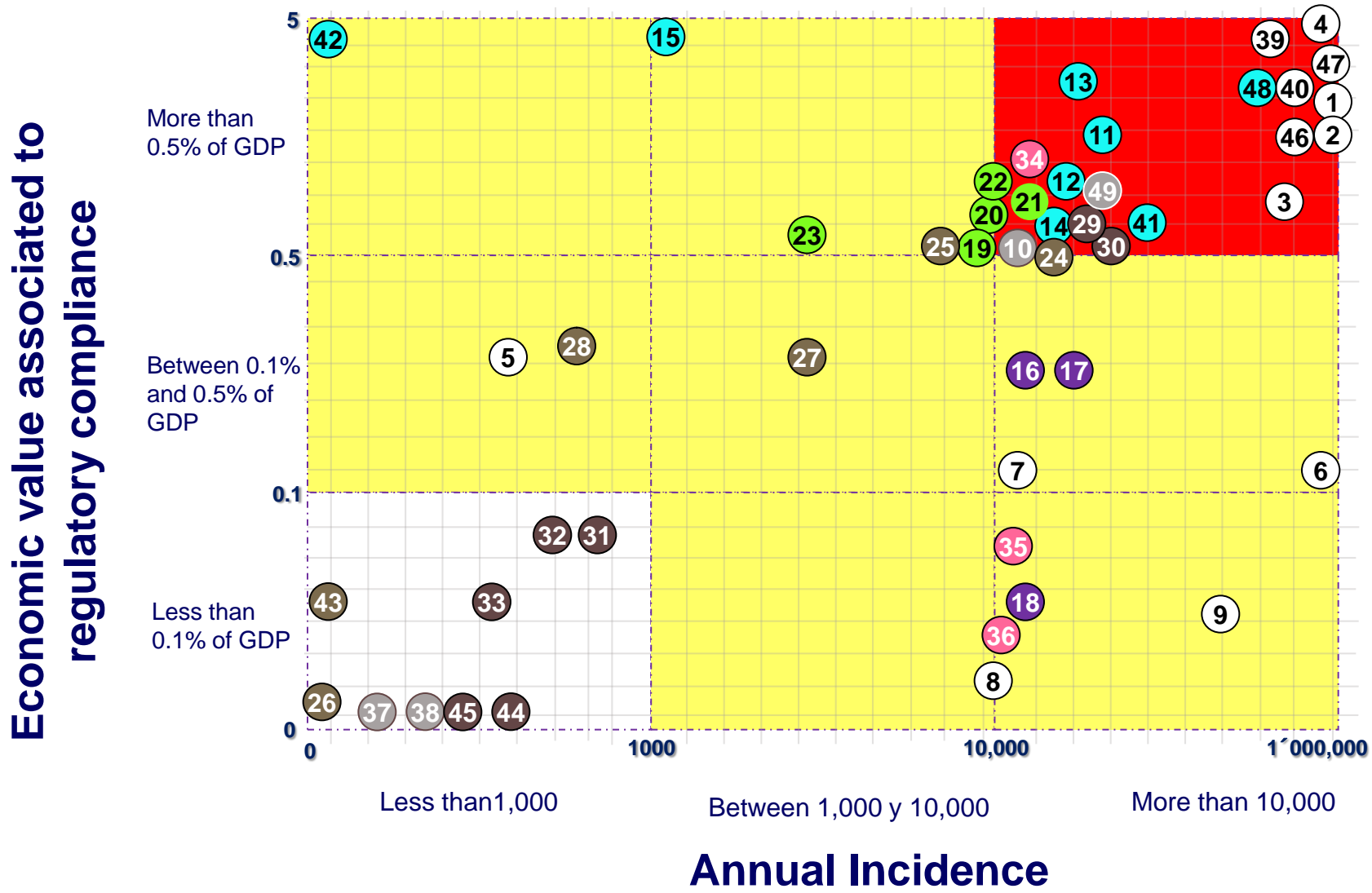
Revision of regulations with higher economic impact



* Incidence: The product of frequency and coverage.

Regulatory Reform working plan

Procedures and regulations where classified by annual incidence and economic impact.



Note: Numbers in the matrix represent action items in the working agenda.

Contents:

I. Regulation as key element of nations' competitiveness.

II. Mexico's strategy and working plan.



III. Results achieved.

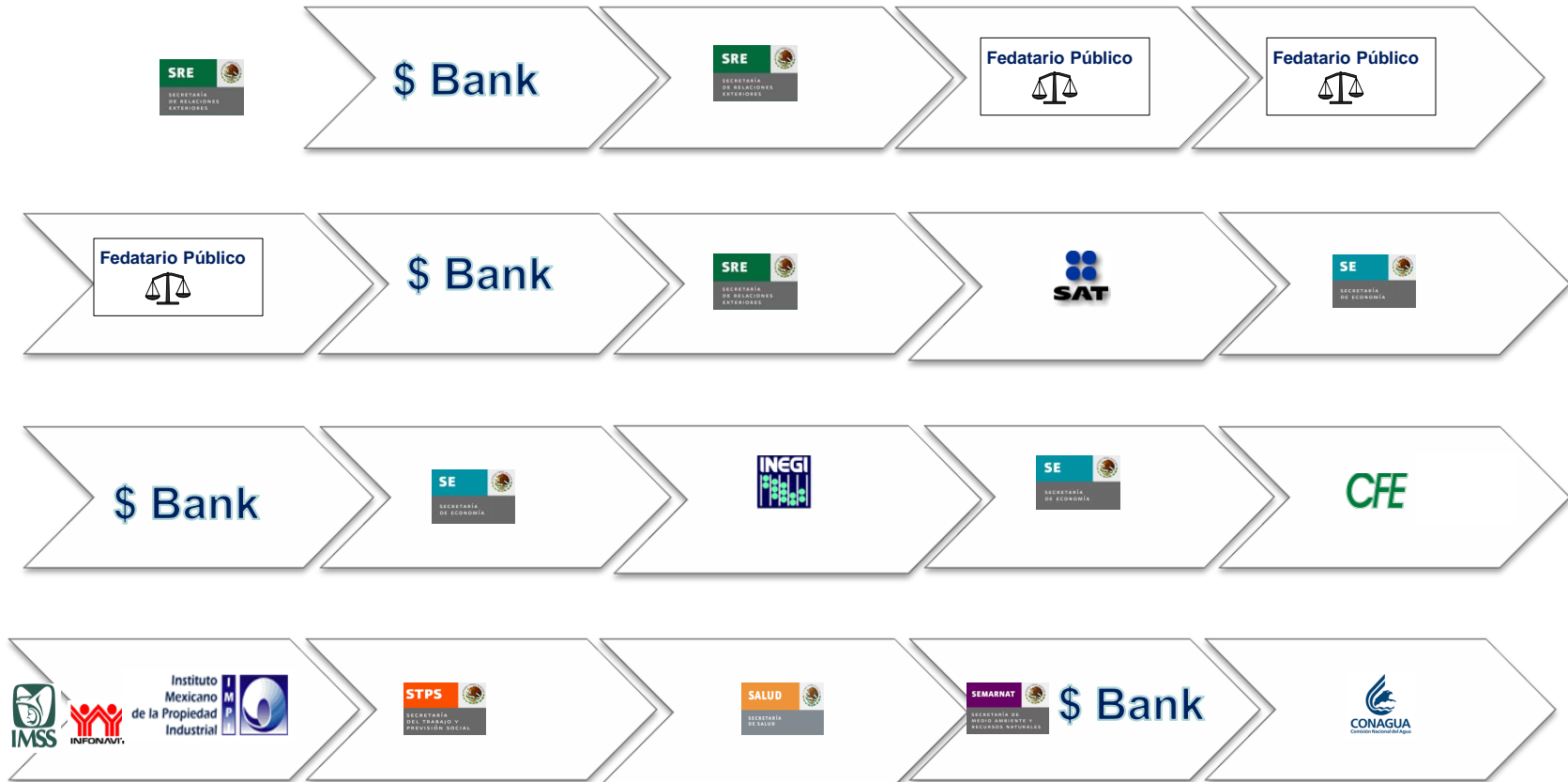
a. One stop-shop for business start-ups.

b. Simplification of regulation in different economic sectors.

c. Promotion of an effective competition policy.

IV. Challenges ahead.

Before the one stop shop, opening business process.



New opening business process.

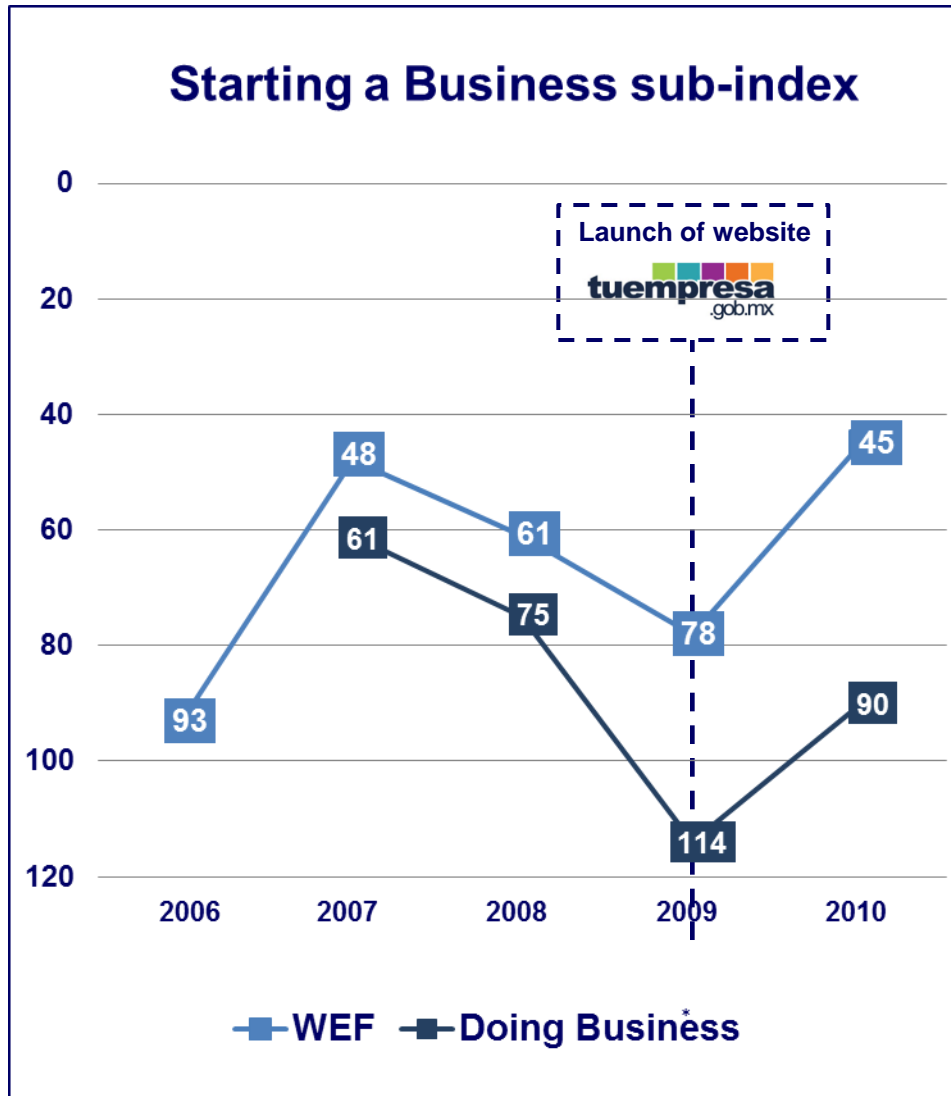


Access to www.tuempresa.gob.mx

The one stop shop makes the steps online

The entrepreneur finishes the process with the notary public.

a. One-stop-shop for business start-ups



Benefits

- According to the *Standard Cost Model* (OECD) the webpage has diminished the necessary resources to open a company in 65%:
 - Predictability.
 - Reductions of entry barriers.

b. Regulatory Reform results

1. Simplification of regulations with higher economic impact

- Simplification with high economic impact generates savings up to 2.8 billion USD*:
 - 5 tax simplification measures.
 - 12 simplification measures for electronic manufacturing, agricultural, medical devices and pharmaceutical industry.

2. Reductions and simplification of government's regulation

- More than 14 thousand internal regulations have been eliminated.
- 9 Administrative handbooks that replaces more than seven thousand rules.

3. Multi level regulatory improvement

- Draft of a executable agenda to improve competitiveness for 9 federal entities, through:
 - Polls to entrepreneurs.
 - Economic process point of view.

b. Improved Regulatory Impact Assessment (RIA)

Criteria to determine economic impact

- Costs associated.
- Size of the economic activity.
- Annual frequency of the procedure.
- Number of businesses.
- Number of consumers.

Expected results

- Take the point of view from consumers.
- Make transparent the number of businesses that are going to deal with the new regulation.
- Focus resources from Federal Regulation Commission to potentially harmful regulation.

Concept:	Before	Now
Resources assigned	Same type of analysis for every regulation	Focus on regulation with high economic impact
Revision of new regulation	First in, first out	Strategic approach

c. Elements for an effective competition policy

1. Pro-competition culture promoted by consumers, businesses and institutions.

- i. Promote a consumer-oriented culture.
- ii. Offer mechanisms for self-diagnosis in legal topics.

2. Legal and institutional efficiency and effectiveness .

- i. Discourage infringement of the law, through penalties linked to potential damages caused to consumers.
- ii. Implement alternative dispute resolution mechanisms.
- iii. Introduce mechanisms to facilitate compliance with the law.
- iv. Enable specialized courts in economic and antitrust matters.
- v. Increase transparency within competition institutions.

Contents:

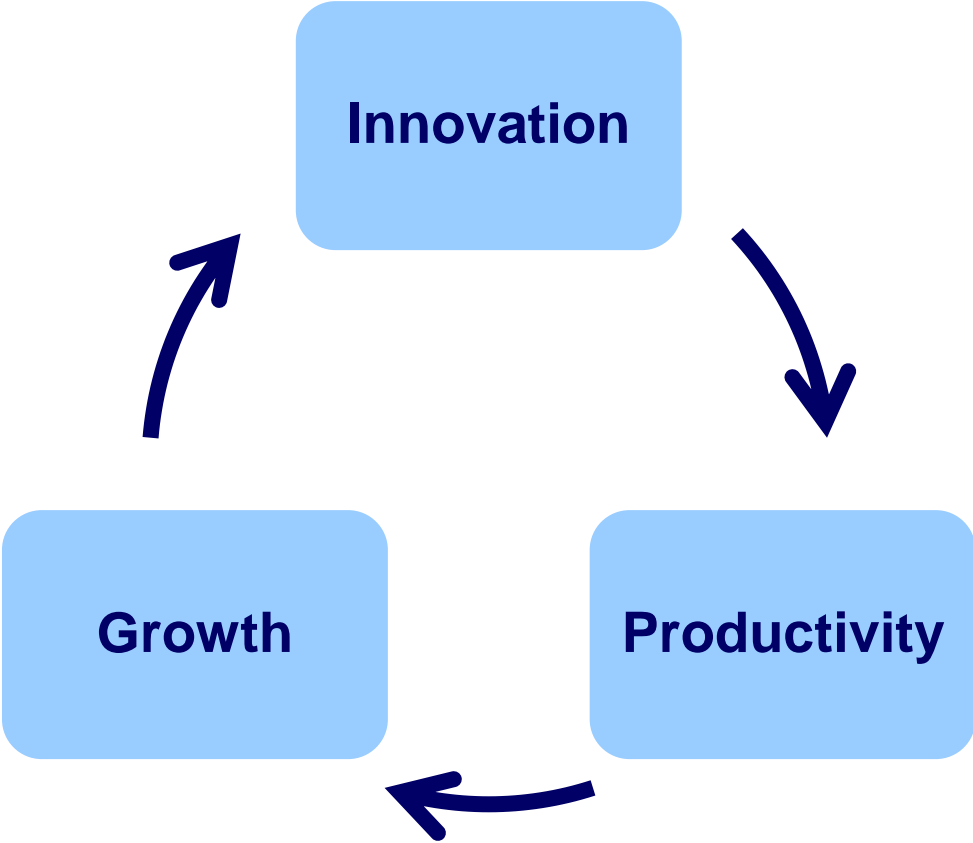
I. Regulation as key element of nations' competitiveness.

II. Mexico's strategy and working plan.

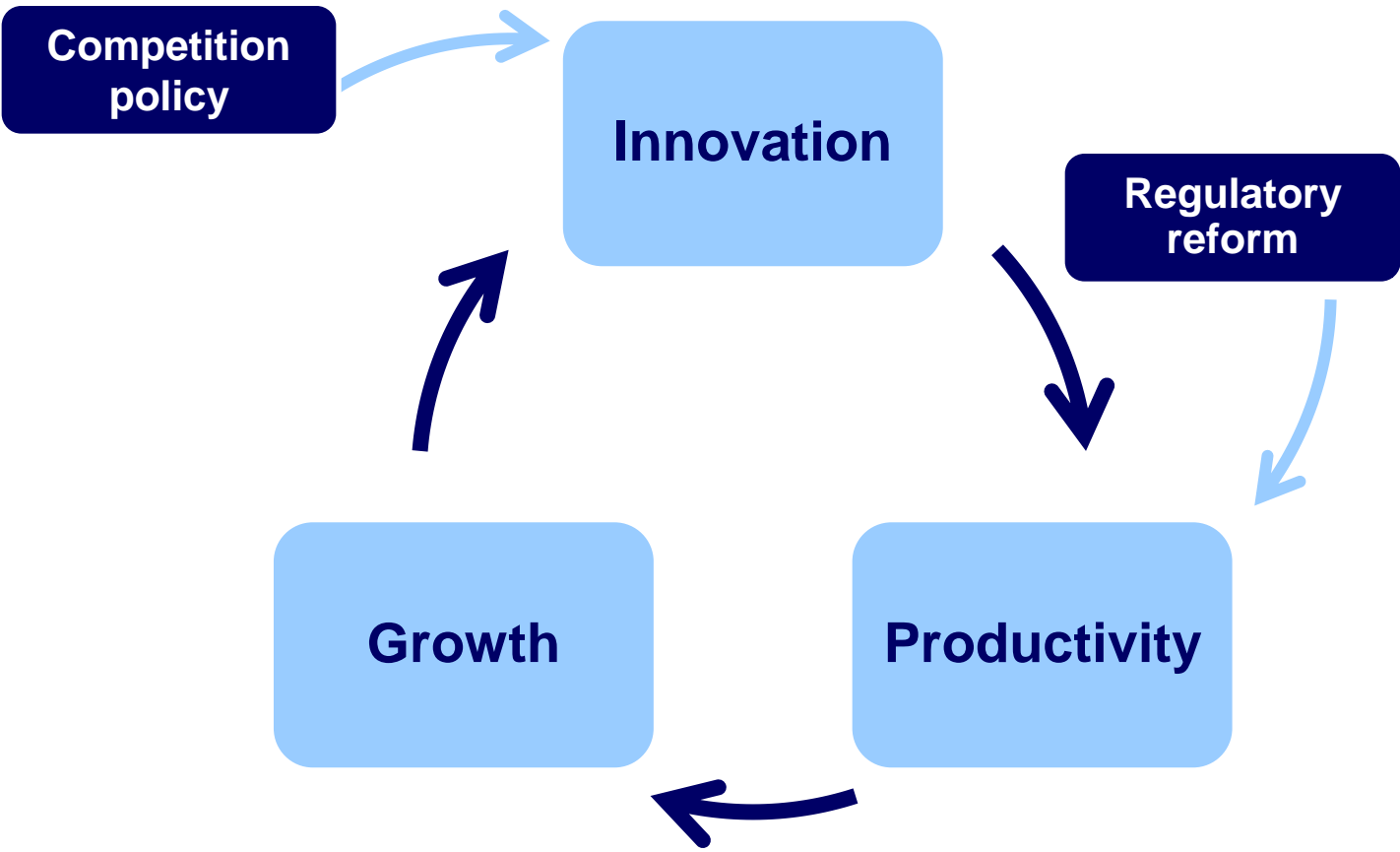
III. Results achieved.

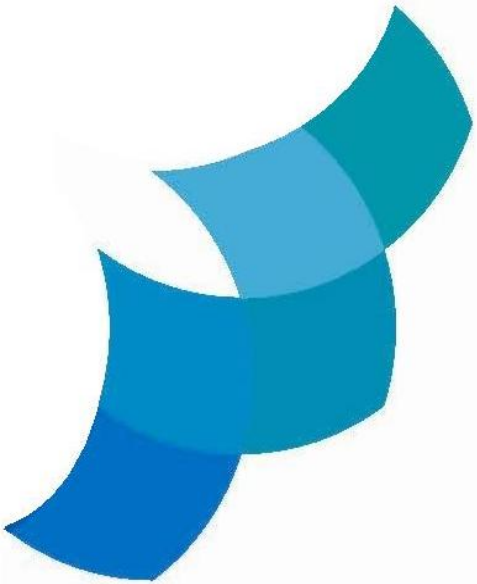
 IV. Challenges ahead.

Interaction of economic agents, should build a regulatory system that enables innovation and productivity.



Interaction of economic agents, should build a regulatory system that enables innovation and productivity.





**GOBIERNO
FEDERAL**

SE

Regulatory policy at the Crossroads, Towards a new Policy Agenda

Felipe Duarte Olvera
**Undersecretary of Competitiveness and
Standards**

October 2010



Vivir Mejor

Regulation as key element of nations' competitiveness.

Causes and effects of productivity

- i. Innovation and productivity are effects of several conditions in the economy:
 - Rule of law.
 - Strength of institutions.
 - Education.
 - Infrastructure.
- ii. Regulation is a key element, it is the cause of a number of outcomes that could lead to productivity (or not).
- iii. In financial terms, regulation costs are calculated (or not) as systemic risk.

Elements of regulatory quality

- Regulation improvement requires:
 - i. Active participation of the society as a whole. Government (different levels and scopes) business and citizens.
 - ii. Process of continuous improvement. (Determined by: development, advance on innovation and uncertainty management requirements)

Build a common language to obtain society's engagement.

1. Entry premises:

- i. At the most aggregate level economic regulation exists to mitigate risks. Generated from real economy and market failures.
 - ii. Business' interests, seek to generate value interacting with regulation; these interactions should be as productive as possible.
- Markets' efficiency is given by transactions among consumers, product or service providers and governments.

Consultation process' elements

2. Key words for the agenda:

- Risks.
- Transaction costs.
- Productivity.

3. Society's engagement and roles:

- Citizens or Consumers. (Beneficiaries of innovation and productivity)
- Businessman or entrepreneurs. (Generate and obtain value through productive activities)
- Government. (Risk assessment and enforcement.

Tax simplification results:

5 tax simplification measures announced last June 30, 2010:

- I. The monthly declaration of IETU is now made once a year.
- II. Regarding VAT, duplicity and the obligation of presenting an aggregated annual declaration are eliminated and the monthly declaration is kept.
- III. The obligation of presenting the financial state for tax regulations as well as for the obligations before the IMSS are eliminated.
- IV. Tax Payers that have a positive balance in the Cash Deposit Tax are allowed to get a refund with out the need of a rule by a public accountant.
- V. The validity of the Advanced Electronic Firm is extend from two to four years.

12 measures announced last August 17, 2010:

- I. The process to obtain the certificate of origin required when exporting Mexican products to Europe and Latin America was simplified.
- II. The system for the Conciliation of Clarification CONCILIANET was established for Federal Energy Commission clients.
- III. The National Registry of Foreign Investment was automatized.
- IV. The services provided by tuempresa.gob.mx were expanded.
- V. Equivalence agreements of US and Canada regulations and conformity assessment procedures with Mexican regulations and procedures for electronic products.
- VI. The registry for allopathic drugs sales is now electronic.
- VII. The process to obtain the sanitary registry for medical devices was simplified.
- VIII. Over The Counter drugs that already have a valid license issued either by FDA or Health Canada can now enter into a fast track process to obtain the sanitary registry.
- IX. A direct interconnection between SAT and COFEPRIS was established for the grant of sanitary permissions for imports.
- X. The expedition of the Phytosanitary and Zoosanitary Certificate for National Mobilization was automatized.
- XI. The registry for animal use and consumption products was automatized.
- XII. The process for meat, grains, oleaginous and other agricultural products imports was automatized.

Legal instruments that simplify and standardize processes in 279 Federal Agencies

- This 9 Administrative handbooks are compulsory and applicable to all The Federal Public Administration
 1. Audit
 2. Acquisitions
 3. Internal Control rules
 4. Public Works
 5. Financial resources
 6. Material resources
 7. Human resources
 8. Information and Communications Technology
 9. Transparency and Accountability