TUEMPRESA.GOB.MX

A ONE-STOP SHOP FOR QUICK AND EASY BUSINESS START-UPS IN MEXICO

“Simplifying business creation to improve competitiveness and raise employment”
1. REDUCING THE COST OF STARTING A BUSINESS IS VITAL FOR GROWTH

Introduction

Economic prosperity is closely linked to the development of a pro-business environment. Making life easier for firms and facilitating the entry of new ones into the marketplace promote competitiveness and growth. While regulations governing business creation are necessary, their implementation can sometimes turn into a difficult and costly process, thereby discouraging entrepreneurial activity.
In Mexico, until a few months ago, individuals who wanted to start a business had to deal with complex procedures that often resulted in delays and additional costs. To address this concern and take account of citizens’ views, the Mexican government decided to adjust regulations with the objective of fostering economic growth and development. The result is the creation of the one-stop shop tuempresa.gob.mx, a decisive step in the strategy to simplify administrative procedures and facilitate better interaction between individuals and government. The one-stop shop incorporates state-of-the-art information technologies that significantly reduce the level of administrative “red tape” and minimise the cost of starting up a business.

1.1 Starting up a business in Mexico

Prior to the one-stop shop tuempresa.gob.mx, creating a firm in Mexico was difficult. Numerous procedures had to be fulfilled to obtain the necessary documents, licences and permits. Entrepreneurs had to deal with many different government bodies at the federal, state and municipal levels. They had to submit the same information to the federal government at least seven times, and in some cases 18 times or more. Heavy bureaucracy made the overall process both time-consuming and costly. Not only did entrepreneurs pay many fees, charges and taxes, but they also carried an opportunity cost related to the time spent on administrative procedures.

As a result of these complications and delays, many individuals simply gave up and abandoned their business projects. Others decided to proceed without going through all the required paperwork. Indeed, many ended up carrying out their business activity in the informal sector, at least for a while, “to see how things turn out”. But informality not only creates insecurity for businesses and workers, it also means that enterprises cannot have access to government support.

Indicators measuring the cost of doing business in 178 countries were published by the International Financial Corporation (IFC) and the World Bank (Cf. Doing Business 2008). They show that Mexico ranks slightly better than the Latin American average. However, with the introduction of tuempresa.gob.mx, it is expected that Mexico will move up in the ranking, enabling it to take its place alongside better performing countries. Indeed, OECD indicators on the administrative burdens placed on start-ups suggest that there is considerable scope for Mexico to improve its relative position among member countries (OECD, 2009).
1.2 The one-stop shop tuempresa.gob.mx – A breakthrough for new businesses

The Mexican government has established a new business portal, www.tuempresa.gob.mx, to simplify the federal procedures that are required to create a legal business entity and to help individuals to fulfill these procedures online. With this one-stop shop, the Mexican government puts the citizen at the center of the process to start up a business.

The one-stop shop tuempresa.gob.mx is designed to be of practical assistance to people who wish to establish a business as a public company or a limited liability company; it does not apply to individual entrepreneurs, who face much simpler procedures for starting a business. The objective of the one-stop shop is to simplify federal procedures so that individuals do not have to go to many different government agencies and line up in various offices. The electronic one-stop shop reduces the time and administrative costs involved. It also eliminates duplication since information about the firm is provided only once.

There are five main steps involved in establishing a company:

1. Registration;
2. Choice of name or denomination;
3. Provision of information to create the company;
4. Payment of the corresponding federal fees;
5. Choice of a public notary or other authorised agent (fedatario) and visit to his office to formalise the deed of incorporation.

After finalising the process at tuempresa.gob.mx and meeting with the fedatario (e.g. public notary), the entrepreneur obtains the following documents:

- Statutes of the company and deed of incorporation;
- Authorisation to use the name or denomination;
- Notification of the authorisation to use the name or denomination;
- Registration of the deed of incorporation in the corresponding Public Register of Commerce;
- Registration with the Federal Register of Taxpayers;
- Employer identification card, which is provided after an appointment with the local office of the Mexican Social Security Institute.

1. In Mexico, 80% of legal business entities created each year are either public or limited liability companies.
1.3 Starting up a business online: Faster and easier

The one-stop shop tuempresa.gob.mx allows entrepreneurs to move through the start-up process in accordance with their needs. They are guided through the formalities required to create a company and, if needed, can access support through various helping tools. Users provide information only once and the one-stop shop submits it electronically to the relevant agencies. Once all the required information has been submitted to the one-stop shop, the only step remaining is to formalise the creation of the legal business entity before a public notary or other authorised agent (fedatario). The one-stop shop gives the entrepreneur the possibility to create the “legal statutes” of the company from an electronic archive; the statutes can then be modified by the entrepreneur or by the public notary or other authorised agent, before the company is created.

The one-stop shop allows the collection and conservation of information on the company at any point in time, even when it is still incomplete. The entrepreneur can complete the information by entering his/her account or via a public notary or other authorised agent,
when formalising the deed of incorporation. Furthermore, information can be accessed at any time from any computer linked to the Internet.

The start-up process is simplified due to the fact that a single electronic site regroups all the relevant procedures. The use of on-line services, as well as the inter-connection of all databases, improves information-sharing across the various government agencies involved, thereby delivering sizeable time savings. At the same time, the security of the information flow within the electronic portal is guaranteed, as established by the Federal Law on Transparency and Freedom of Information and other relevant regulations.

1.4 Step-by-step implementation

Recent achievements by the Mexican government in improving the regulatory framework constitute a solid base for the introduction of the one-stop shop tuempresa.gob.mx. An important first step was the System for Rapid Business Start-Up (SARE), launched in 2002 in several cities, which allows firms to comply with government regulations “under one roof”; however, the SARE makes little or no use of Internet technology and is limited in scope, since it i) covers only some of the formalities for start-ups, ii) applies to a defined range of non-risk sectors, and iii) is only available in a limited number of cities. At the same time, e-government services have been progressively improving; for instance, registration in the Federal Register of Taxpayers is now frequently done via the Internet.

In this context, the government created the one-stop shop tuempresa.gob.mx. The portal allows data sharing across the various government agencies involved, while information and communication technologies (ICT) help reduce paper-based procedures. The use of the Internet in dealing with administrative procedures is also very helpful for offering guidance and disseminating information.

The development of tuempresa.gob.mx is a project implemented in stages. During the first stage, the focus was put on the basic formalities required for the creation of a company: its registration in the Federal Register of Taxpayers and the registration of its employees in the Mexican Social Security Institute. In the immediate future, more formalities will be included to allow entrepreneurs to comply easily with labour and environmental requirements, among others. As the project matures, it will involve more agencies; it will also cover all the procedures associated with the functioning and operation of businesses. To this end, the government has developed collaboration agreements with the various agencies involved. Thus the project will be built progressively over time until it reaches all of its objectives.
2. MAKING THINGS EASIER FOR BUSINESS LEADS TO HIGHER PRODUCTIVITY

Electronic tools such as the one-stop shop tuempresa.gob.mx are a practical way of lowering economy-wide administrative burdens on start-ups by allowing a better co-ordination of the various procedures that are required to obtain licences and permits. In this way they contribute to the creation of new, more productive, firms in Mexico.

2.1 Using information technologies to simplify procedures lowers the cost of doing business

By making formalities easier, electronic one-stop shops help individuals and businesses in their dealings with government processes. They are particularly useful for business start-ups. Going further than the traditional one-stop shops that usually regroup several government agencies in one physical location, electronic one-stop shops make use of the latest information and communication technologies (ICT) and offer a comprehensive range of services.

Using an international methodology – the Standard Cost Model – the OECD has calculated that before the introduction of tuempresa.gob.mx, the cost to Mexican entrepreneurs in terms of the time and resources required to comply with the start-up requirements of a legal business entity was equivalent to 16% of the country’s per capita GDP. Costs included, for instance, the time taken to fill in forms and line-up at government offices, contracting agents and visiting the bank, but they excluded payment of administrative charges and the public notary (or other authorised agents’) fees. OECD estimates show that the simplification and streamlining of procedures that is offered by the one-stop shop tuempresa.gob.mx will bring such administrative costs down by at least 65%.

International experience shows that many countries have created electronic one-stop shops to help business start-ups and operations:

• In Latin America, Chile clic is the most recent initiative by Chile to help business (and individuals) to comply with administrative procedures through Internet-based portal shops. It seeks to be more client-oriented than earlier models.

• In North America, Canada’s BizPal one-stop shop provides information and advice via the Internet. It operates in a complex business environment, given that the country, like Mexico, has three levels of government.
In Europe, Spain’s Internet-based Circe, combined with a simplification of processes, has been effective in promoting business creation, especially for very small enterprises.

Portugal too has carried out a reform programme to facilitate start-ups, including the creation of a centralised Internet registry for all licences and the development of one-stop shops to help with formalities.

With the development of the one-stop shop tuempresa.gob.mx, Mexico positions itself at the forefront of worldwide efforts to simplify and reduce administrative burdens associated with procedures for business start-ups and operations.

2.2 A friendly business environment improves the competitiveness of firms and promotes productivity

The one-stop shop tuempresa.gob.mx facilitates business creation and therefore will have a significant impact on productivity and growth. OECD studies have shown that economies with the lowest productivity levels also place the highest administrative burdens on business. Conversely, countries where barriers to entry are low, such as Canada or Switzerland, are more successful at raising productivity growth, thus improving the living standards of their citizens.

Measures that reduce barriers to entry tend to boost economic growth by increasing competition, which in turn puts companies under pressure to innovate more, be more efficient and increase productivity. Simplifying procedures and improving the business environment also facilitate the creation of firms in the formal sector and thus promote productivity.

2.3 Why is the business one-stop shop important for Mexico?

In 2007, close to 150 000 authorisations were granted to applicants who wished to create legal business entities in Mexico. Less than two thirds of these applicants ended up completing the process and formally establishing their companies, which suggests that many entrepreneurs were discouraged or changed their minds during the process. The creation of new enterprises is essential for a dynamic and competitive business sector that can generate new jobs. Therefore, facilitating start-ups not only boosts the competitiveness of firms and enhances productivity growth, but also helps raise employment. In the current global economic environment, reducing barriers to entry can help moderate the impact of the international slowdown and, at the same time, lay the foundations for long-term prosperity in Mexico.
Reducing delays and costs for start-ups is particularly important in a country like Mexico where informal employment is widespread. By facilitating business registration, the one-stop shop tuempresa.gob.mx will help reduce many of the frustrations that drive entrepreneurs to the informal sector. Furthermore, it will reduce the need for face-to-face interaction with civil servants and generate considerable time-savings, thereby making “unofficial” payments unnecessary for a quick approval.

2.4 Impact on the economy

The creation of the one-stop shop tuempresa.gob.mx has the following impacts:

1. Making businesses in Mexico more competitive and enhancing the attractiveness of the country to foreign investors.

2. Developing electronic centers to help with formalities alongside “physical” centers. The initiative is making modern government services more accessible to users across the country.

3. Centralising databases and increasing the amount and quality of information available about economic activity in Mexico, which helps improve policy decisions and monitor results.

By creating a friendlier business environment, the new electronic one-stop shop is encouraging investors, both large and small, domestic and foreign, to start (and develop) their operations in Mexico. The consolidation of the current federal procedures into simplified processes and the easy access to a user-friendly business portal benefits entrepreneurs directly. Smaller enterprises which suffer disproportionately from the burden of compliance are likely to be the greatest beneficiaries of this process of administrative simplification.

The reform is paving the way to create new firms in the formal sector, which in the long run can be expected to widen the tax base. This in turn will benefit both businesses and individuals. As firms, new and established, and in particular small enterprises, shift to the formal sector, they will find that working conditions for their employees improve, including safety and social protection.
3. CHALLENGES AND OPPORTUNITIES

3.1 Moving forward together with states and municipalities

From the outset, nine Mexican states and the Federal District adopted tuempresa.gob.mx in order to improve their business environment. It is expected that the other states will join in the initiative, thus extending its benefits to the entire country.

The federal government is already working with states and municipalities to ensure that the benefits of the ongoing reform are broadly shared across the nation. Continued collaboration is also needed to guarantee that the continuing simplification of processes at the federal level is fully carried through to the sub-national levels of government and to the various enterprise types.

3.2 Other challenges

The experience of other countries shows that for initiatives such as electronic one-stop shops to be successful, commitment to reform is important, as well as continuity and coherence in the strategy. It is essential that there is an unambiguous political will to continue the reform process, despite possible resistance in its initial stages. By disseminating information effectively during the implementation stage and publicising results as they occur, the Mexican government can rally wide support behind its initiative.

To reap the full benefits of the development of centers to help with business formalities, complementary measures are needed; in particular, a further simplification of procedures, first in relation to start-ups and then covering a more comprehensive set of procedures.

Another challenge – and a condition for the success of the reform – is that the one-stop shop tuempresa.gob.mx be widely used by public notaries and other authorised agents, who will be among the main users. With time, it is expected that the portal will be recognised as a practical tool that adds value to their operations; with its benefits becoming clear as more firms are created and the number of companies operating in the formal sector expands.

Through the one-stop shop tuempresa.gob.mx, business procedures will be simpler and operate in a more integrated way at the state and municipal levels. This will bring real benefits to Mexico in terms of the number of firms created and the overall business environment. It is

2. Campeche, Coahuila, Estado de Mexico, Guanajuato, Jalisco, Morelos, Nuevo Leon, San Luis Potosi and Sinaloa.
important that the federal government, states and municipalities join forces and work closely together to realise this potential.

Moving forward firmly with the implementation of electronic one-stop shops that cover more and more administrative formalities will contribute to strengthen the competitiveness of the economy and spur domestic and foreign investment in the country’s future, thereby fostering faster productivity growth and improving the living standards of citizens.

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