

**GOOD GOVERNANCE FOR DEVELOPMENT IN ARAB COUNTRIES
WORKING GROUP IV: FOCUS GROUP ON REGULATORY REFORM
AND A
SPECIAL SESSION OF THE OECD WORKING PARTY ON REGULATORY
MANAGEMENT AND REFORM**

PARIS, 28 SEPTEMBER 2005

Regulatory Reform in Mexico

Carlos Garcia-Fernandez

Head of the Federal Regulatory Improvement Commission (COFEMER)

Mexico's Regulatory Reform Background

- ▶ In the late 80's, Mexican regulation in many sectors was excessive and inapplicable in accordance with the GATT framework (2 sports).
- ▶ Regulation imposed high costs and prices to consumers affecting in a negative manner both competition and competitiveness.
- ▶ It was necessary to take measures to promote competition.

Evolution of the Regulatory Reform Programme (first stage: 1989-1994)

- ▶ Plan Nacional de Desarrollo (National Development Plan), 1989-1994, established a deregulation process.
- ▶ Presidential agreement. SECOFI was in charge of reviewing the national regulatory framework.
- ▶ Economic Deregulation Unit (UDE), was created in 1989 countereffect.
- ▶ Mexico signed NAFTA and other free trade and investment agreements to promote competitiveness.
- ▶ Mexico's adhesion to OCED (1994): benchmarking exercises

Evolution of the Regulatory Reform Programme (Second stage: 1995-2000)

- ▶ Presidential Agreement, 1995. Defined new sectors for deregulation and reducing red-tape
- ▶ First Reform of Federal Administrative Procedures Law, 1996. Determined the legal framework of an administrative act.
- ▶ Reform of Federal Metrology and Standards Law, 1997. The Regulatory Impact Analysis (RIA) process is created for technical standards.
- ▶ Second Reform of Federal Administrative Procedures Law, 2000. COFEMER is created.

¿What is COFEMER?

- ▶ A technically and functionally autonomous agency of the Ministry of Economy.
- ▶ Was created by the reforms to the Federal of Administrative Procedure Law (May 2000) political commitment ussherine al Shallah
- ▶ Supported by the Federal Regulatory Improvement Council.
- ▶ Staff: 60 professionals

COFEMER's Mission

**Federal Regulatory
Improvement
Commission
COFEMER**

**Ensuring
transparency in
the regulatory
process**

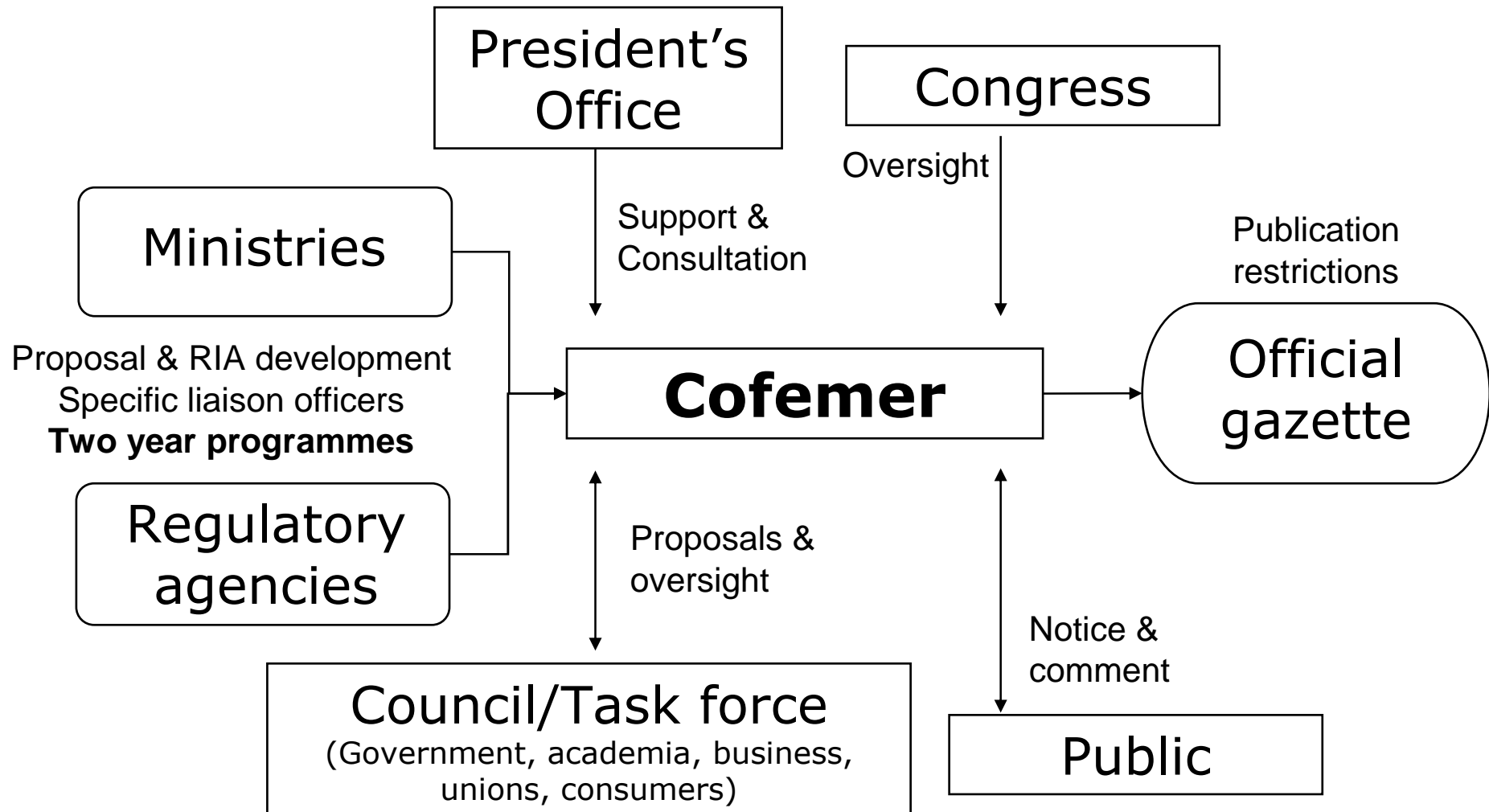
**Promoting both
that the benefits
of regulation
exceed its costs,
and the greatest
benefit to society**

COFEMER's main objectives

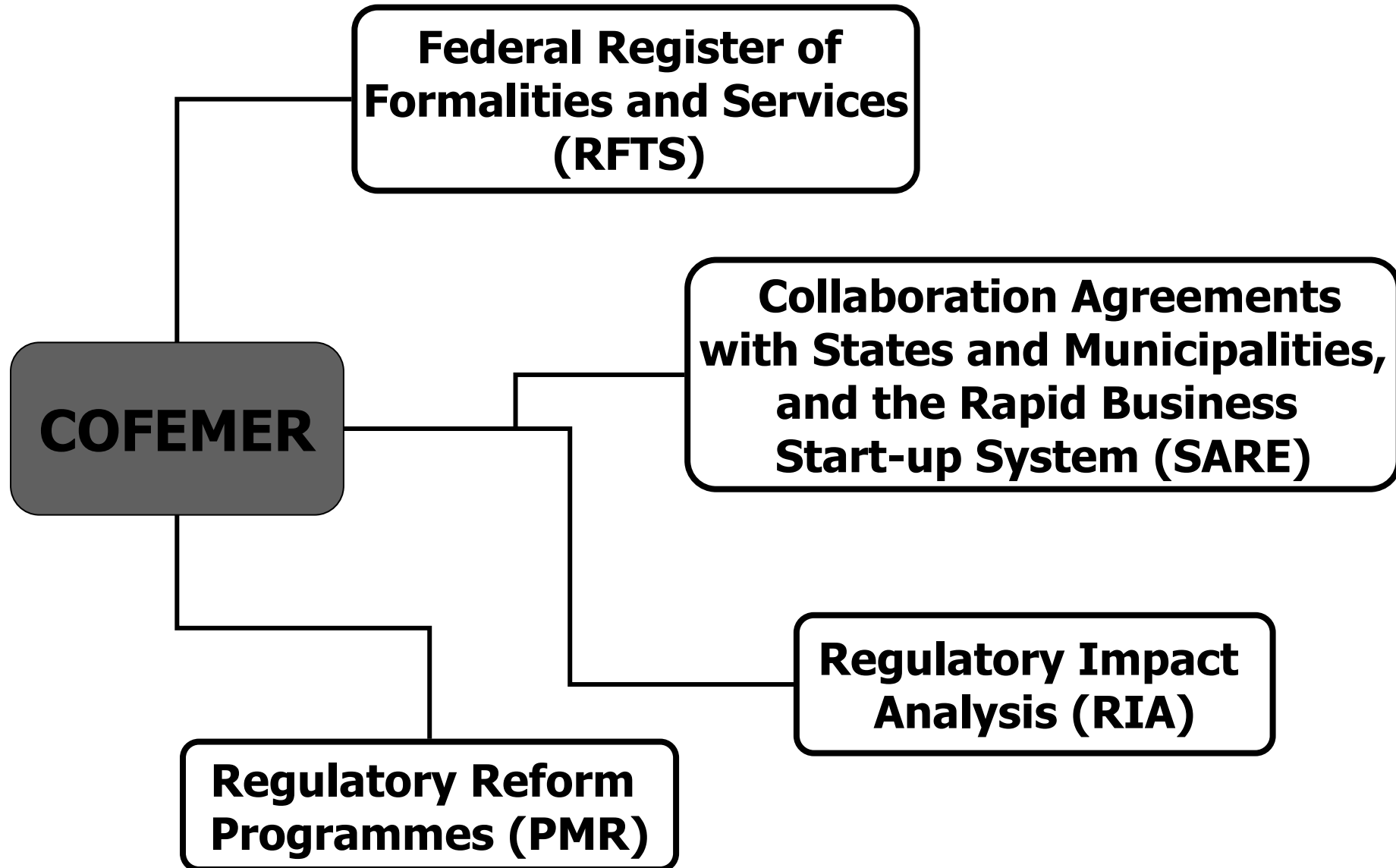
To increase the social benefits, COFEMER:

- ▶ Reviews regulatory projects, to ensure that they are simple and easy to fulfill,
- ▶ Receives and takes into account comments made by the public, regarding new regulation,
- ▶ Creates and manages a catalog of federal formalities and oversees their improvement (from red tape to smart tape), and
- ▶ Promotes regulatory improvement and reforms countrywide, in a joint effort with the private sector, States and Municipalities.

Institutional design for regulatory review



COFEMER's instruments



The Federal Register of Formalities and Services (RFTS)

Federal Registry of Formalities and Services (RFTS)

- ▶ The RFTS is an online catalog of all the federal formalities, services and formats. (www.cofemer.gob.mx).
- ▶ It is also an important tool for entrepreneurs and individuals, since federal authorities should not apply formalities which are not registered, and they cannot demand the fulfillment of obligations or require paperwork different than those registered.
- ▶ COFEMER has continued to review, simplify and improve the information contained in the RFTS. In 2005, the information of 336 formalities was improved and 427 were removed. Now we have better information and more legal certainty.

High Impact Formalities

Private/Public dialogue has produced the improvement of 63 high impact formalities in specific sectors (2003-2004).

All formalities were identified by entrepreneurs taking into account their high impact in competitiveness.

Zoosanitary Requirements 2 formalities	Standards 3 formalities	Mining 3 formalities	Consumer Protection 1 formality
Pesticides & Fertilizers 9 formalities	Energy 3 formalities	Social Security 9 formalities	Immigration 1 formality
Motor Transport 8 formalities	Sanitary Regulation 2 formalities	Taxation 13 formalities	Individuals Unique Registry 1 formality
Industry Property Rights 2 formalities	Games and Drawings 1 formality	Agriculture 3 formalities	Exports 1 formality

States and Municipalities

Rapid Business Start-up System (SARE)

Work with state and municipal governments

- ▶ Mexico has a Federal system. The Federal Government, Municipalities and State Governments impose formalities for the start-up of an enterprise.
- ▶ Regulatory co-ordination agreements with 32 states and 16 municipalities.
- ▶ Diagnosis of municipal regulatory quality and guides for municipal regulation development in conjunction with academic institutions.
- ▶ SARE-specific co-operation agreements with three major cities.

Rapid Business Start-Up System (SARE)

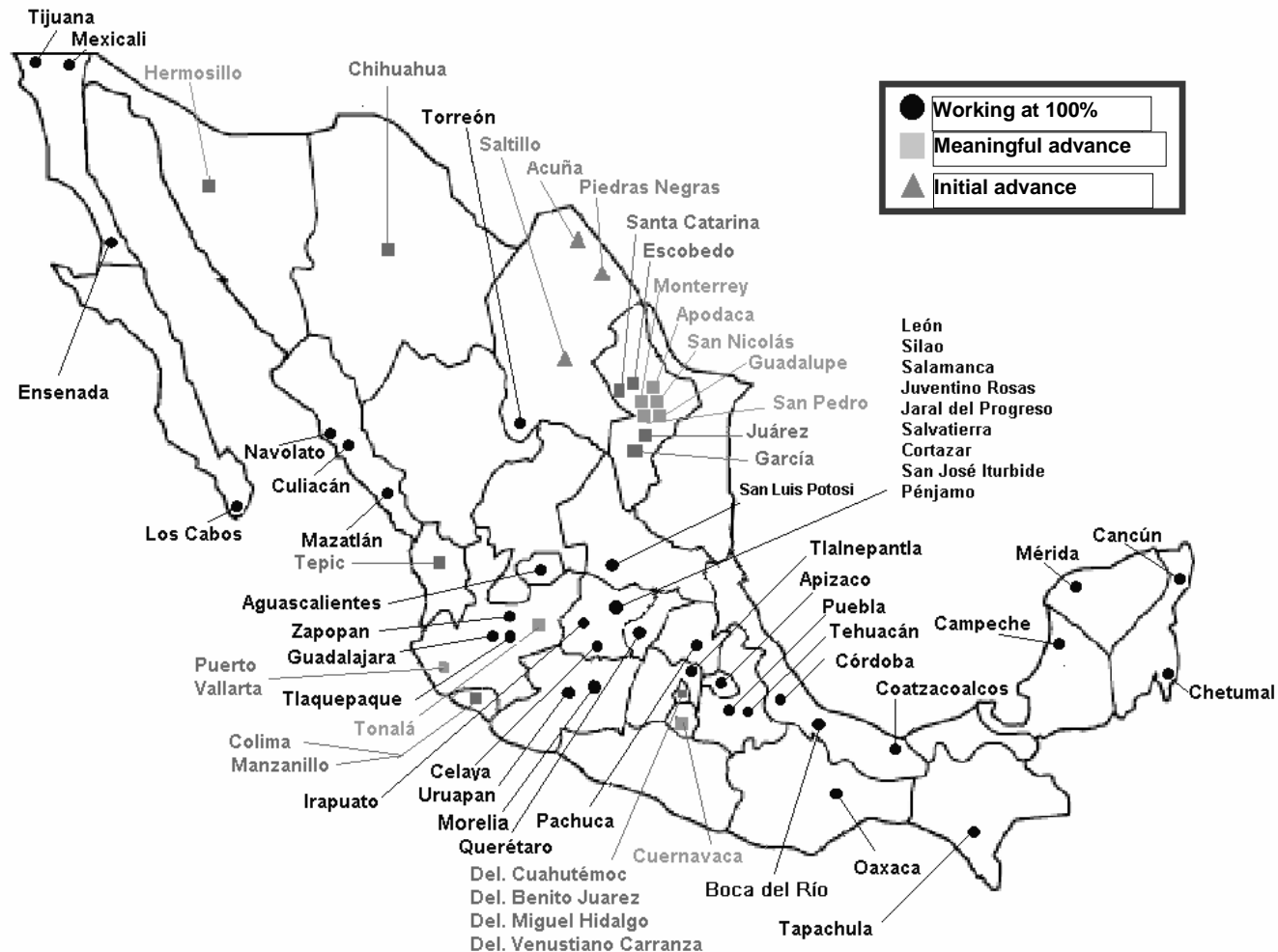
SARE allows businesses to be legally established in less than **72 hours (the national average is of 52 days)**, by attending Federal, State and Municipal formalities at one location. This diminishes the burden of formalities and offices to be visited by entrepreneurs, benefiting the establishment of legal businesses.



**National distribution of
SARE in December,
2003: 12 municipalities**

Rapid Business Start-Up System (SARE)

SARE has been successful: in 2005 the SARE achieved presence in 67 municipalities.



Rapid Business Start-Up System (SARE)

- ▶ According to official information (INEGI), the 67 municipalities with SARE represent 35% of the national population and 36% of GDP in sectors like commerce, services and industry.
- ▶ Since the first SARE in Puebla (May, 2002-June, 2005), 41,000 new businesses have been opened, 108,000 jobs have been created, and US \$5.8 million have been invested.

Regulatory Impact Analysis (RIA)

Regulatory Impact Analysis (RIA) main Objectives

- ▶ Make more transparent regulatory proposals that are under review.
- ▶ Improve decision-making.
- ▶ Make regulatory changes transparent.
- ▶ Make assumptions and information explicit.
- ▶ Allow for greater intergovernmental communication and coherence of regulatory actions.

COFEMER e-RIAs System contains an on-line guide and format for RIAs and a web-site through which regulators have to send their regulatory drafts and RIAs to COFEMER.

¿What is subject to RIA?

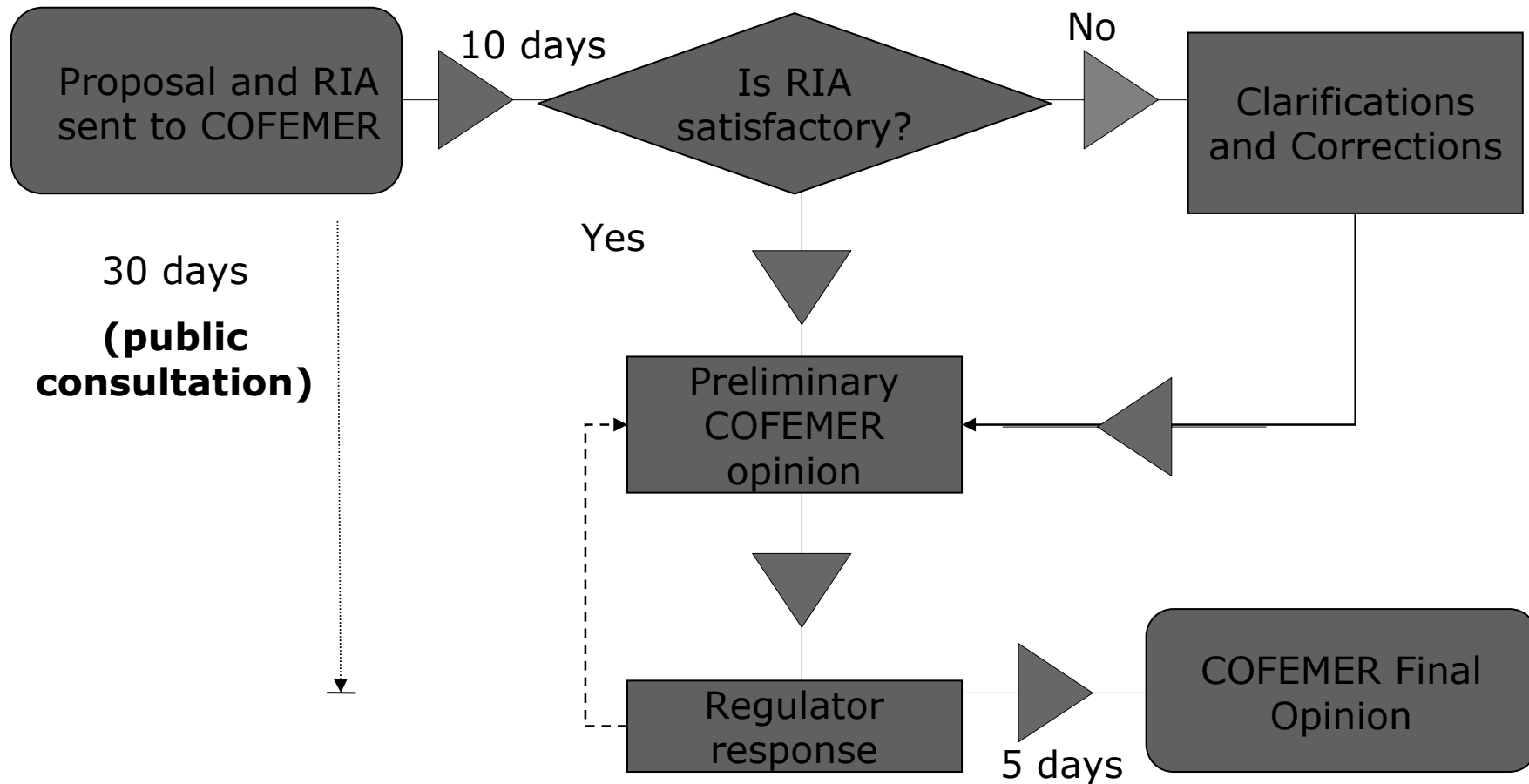
RIA is compulsory for all generally applicable legislative and administrative proposals with compliance costs for private economic agents, but for:

- ▶ Fiscal policy;
- ▶ Criminal justice; and,
- ▶ National defense.

There are four types of exemptions in the elaboration of a RIA:

- ▶ Emergencies (not urgencies);
- ▶ Periodic update;
- ▶ Non-compliance costs; and,
- ▶ International Agreements.

RIA and draft regulation review process

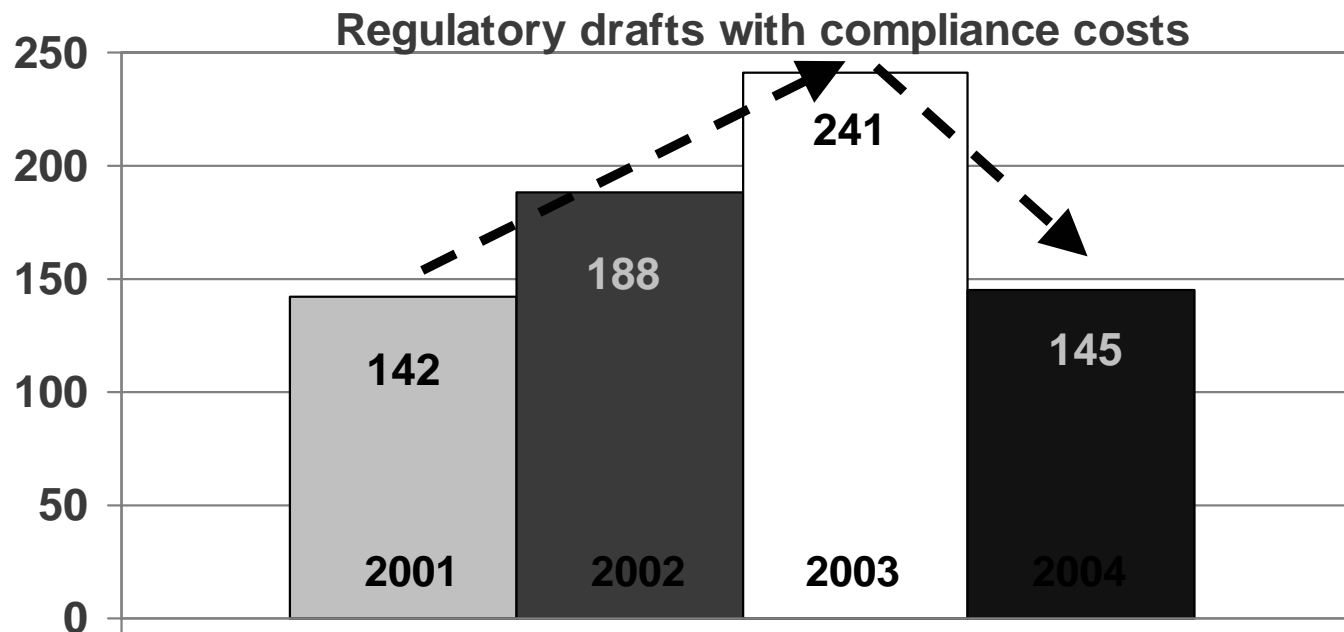


Regulatory Impact Analysis (RIA) content

- ▶ Objectives
- ▶ Problems to be solved
- ▶ Risk analysis
- ▶ Legal basis
- ▶ Alternatives
- ▶ Description of regulatory actions
- ▶ Implementation and enforcement strategy
- ▶ International evidence
- ▶ Public consultation
- ▶ Costs and benefits analysis
- ▶ Formalities (creation, improvement or elimination)

Regulatory Moratorium (re-inforcement)

- ▶ On May 12, 2004, President Fox established a Regulatory Moratorium. The moratorium would be in force until November, 2006. The Moratorium implies that federal ministries have to suspend the creation of new regulation, as well as the creation of new formalities for citizens.



The Moratorium was a private sector demand

Regulatory Reform Programme (PMR)

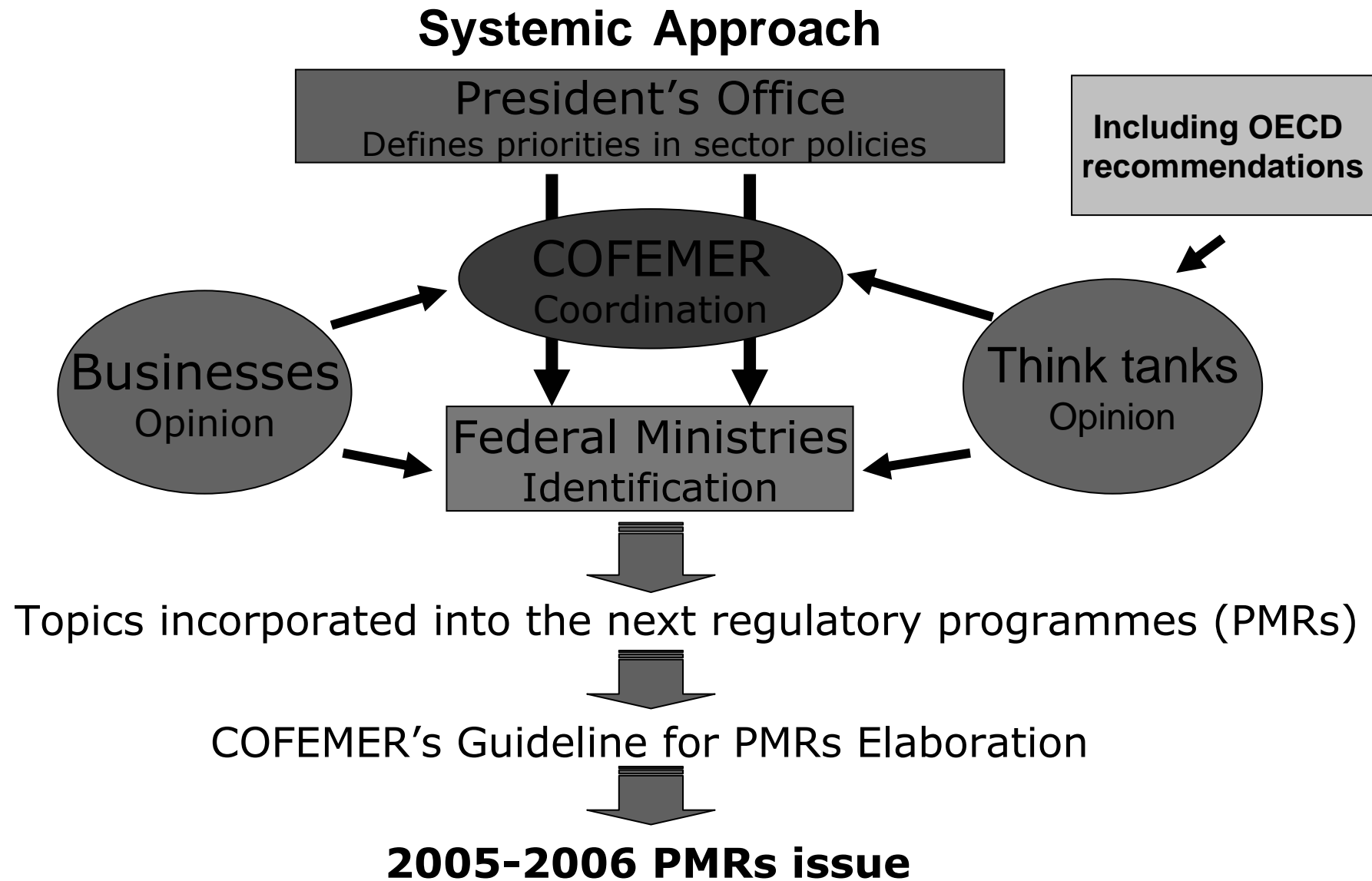
PMRs definition and characteristics

- ▶ Useful planning tool for the review of existing regulation and formalities (creation, modification or elimination).
- ▶ Available for public consultation on Cofemer's web page.
- ▶ Comments by Cofemer and the public must be taken into consideration before final implementation.
- ▶ Periodic updates to the programmes.

Systemic approach in PMRs

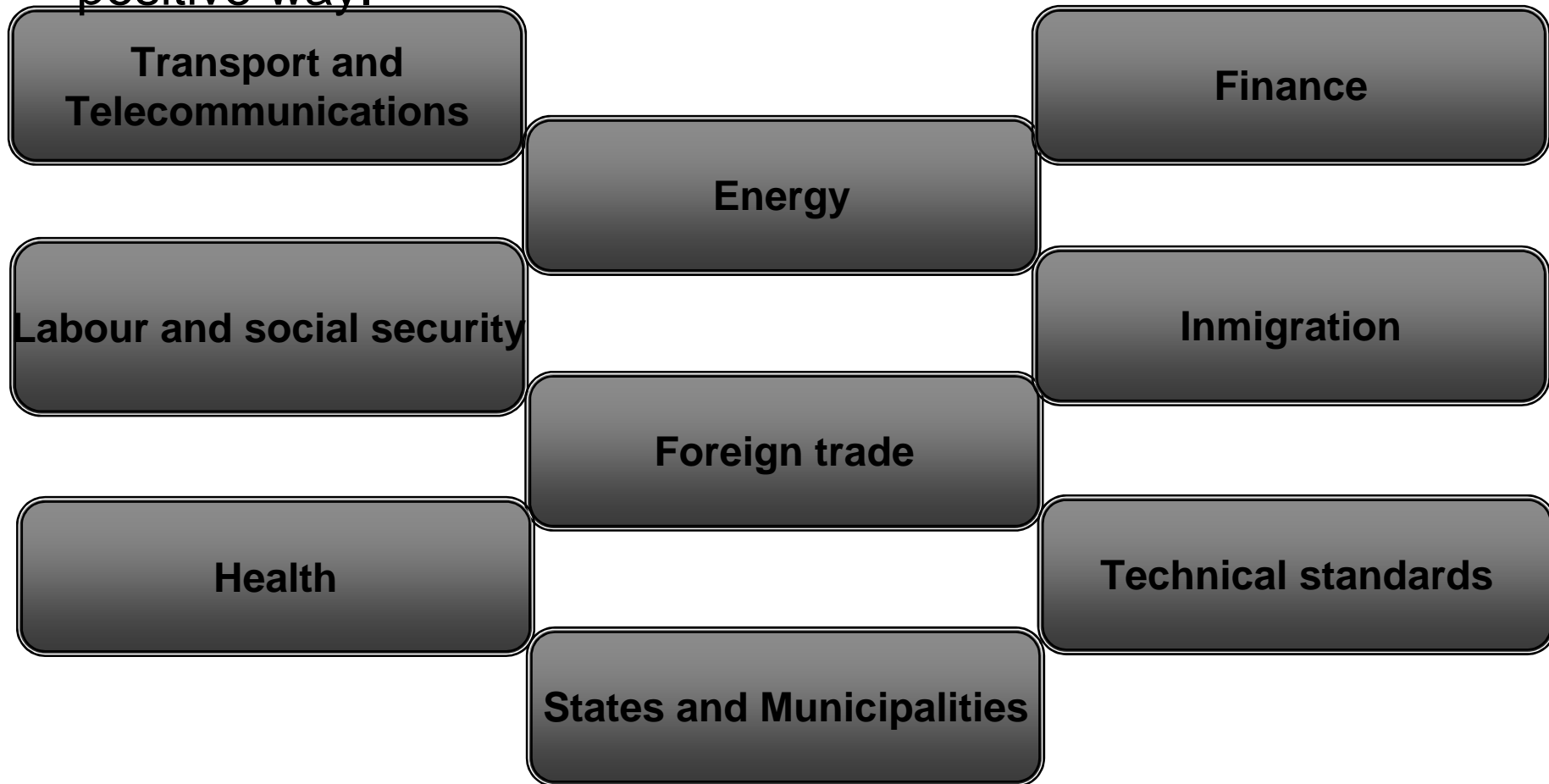
- ▶ Private/ Public dialogue made it possible to unify efforts in a new “**systemic approach**” to regulation, creating a coordination mechanism between the public, academic and private sectors.
- ▶ This approach has the aim of establishing a set of regulatory **priorities** that could be carried out during the **2005-2006 Regulatory Improvement Programmes (PMR)**, in view of the fact of difficulties to legislation in the short run.
- ▶ The systemic approach aims to incorporate a holistic analysis of a regulatory system in particular economic sectors.

Systemic approach



Specific actions in specific sectors

- ▶ Together, the Mexican public and private sector defined **36 specific actions** related to regulatory improvement that could influence the competitiveness of the Mexican economy in a positive way.



Actions implementation monitoring mechanism

- ▶ For the implementation of the **Action Plans**, on August 30th, 2005, federal agencies submitted a timetable to COFEMER.
- ▶ The Regulatory Improvement Programmes must be fulfilled by federal agencies by **November 30, 2006**.
- ▶ Private sector's opinions and commentaries will be promoted and submitted through an **electronic module**.

Internet electronic module

Dirección  <http://www.cofemer.gob.mx/>



LO MAS VISITADO

- ¿Qué es un trámite?
- Registro Federal de Trámites y Servicios (RFTS)
- Anteproyectos y MIR
- Sistema de Apertura Rápida de Empresas (SARE)

- Inicio
- Búsqueda
- COFEMER
- Programa Mejora Reg.
- Anteproyectos y MIR
- Trámites
- Estados y Municipios
- Moratoria Regulatoria
- Difusión
- Marco Normativo
- Ley de Transparencia

05.09.2005

■ Programas de Mejora Regulatoria 2005-2006

El día 30 de agosto las dependencias y organismos descentralizados entregaron a Cofemer la propuesta de los Programas de Mejora Regulatoria 2005-2006

Consulte el listado de los Programas de Mejora Regulatoria
(31.08.2005)

■ Consulte las propuestas de los planes de trabajo de las acciones de Mejora Regulatoria 2005-2006

El día 30 de agosto las dependencias y organismos descentralizados entregaron a COFEMER la primer propuesta de los planes de trabajo para las acciones de Mejora Regulatoria comprometidas en el Acuerdo por el que se establecen los lineamientos para la presentación de los programas de mejora regulatoria 2005-2006, publicado en el Diario Oficial de la Federación el día 11 de agosto de 2005.

A partir de esta fecha y hasta el 28 de septiembre dichas propuestas se encontrarán en consulta pública con el fin de obtener la opinión de los sectores interesados.

- | | |
|--------------------------|------------------------------|
| ● Comercio Exterior | ● Sector Financiero |
| ● Salud | ● Energía |
| ● Autotransporte Federal | ● Migración |
| ● Transporte Ferroviario | ● Trabajo y Previsión Social |
| ● Telecomunicaciones | ● Normalización |
| ● Transporte Marítimo | ● Apertura de Empresas |
| ● Aeronáutica Civil | ● Seguridad Social |

Main challenges

- ▶ Sustaining/creating momentum for regulatory reform in the presence of increased protectionist and rent-seeking pressures.
- ▶ Communicating the potential contribution of regulatory reform to increasing productivity and competitiveness.
- ▶ Fomenting wider public participation in the regulatory review processes and producing better alignment of regulatory incentives with consumer interest.
- ▶ Continuing diffusion and adoption of regulatory reform strategies within state and especially municipal governments, and within the legislative branch.

www.cofemer.gob.mx

**Carlos Garcia-Fernandez
Head of the Federal Regulatory Improvement Commission
(COFEMER)**

September 28, 2005