

## MEXICO

*Economic growth has been too slow to reduce the large gap in standards of living with other OECD countries. Employment rates are high and rising, but productivity has stagnated in the past decade.*

### Policy priorities

#### **Improve access to upper-secondary education**

**Challenge and recommendations:** In order to improve educational attainment and students' performance, which are very low compared with other OECD countries, and strengthen productivity of the workforce, it was recommended that curricula modernisation be continued and that the accountability of schools and teachers be enhanced. It was also recommended that adult training be further developed.

**Actions taken:** A reform of lower-secondary education (*reforma integral de la secundaria*), seeking a modernisation of the curriculum and a better organisation of teaching, has been launched. Few concrete actions have yet been taken in upper-secondary education.

#### **Reduce barriers to entry in industries**

**Challenge and recommendations:** To improve effective competition in the telecommunications sector it was recommended that the Telecommunications Act (proposed in 2002) be approved. In energy supply, it was recommended that the share of public enterprises be reduced, in particular by easing restrictions on private investment in the electricity sector.

**Actions taken:** The Telecommunications Act proposal was abandoned but secondary legislations were amended to improve entry and competition conditions. In electricity generation, no action has been taken to remove legal obstacles to private investment, although the constitutionality of the existing (small-scale) independent power producers was recognised.

#### **Reduce barriers to foreign ownership**

**Challenge and recommendations:** To foster competition and improve efficiency, it was recommended that restrictions on foreign direct investment be eased, especially in the electricity sector and fixed-line telephony, but also in some professions, construction and transport.

**Actions taken:** No recent action.

#### **Reform the tax system**

**Challenge and recommendations:** To increase financing of core spending on development priorities (basic education, health, infrastructure, poverty alleviation), a revenue-enhancing tax reform was recommended. A broadening of the VAT base was recommended in particular, to reduce distortions and facilitate tax administration.

**Actions taken:** Measures were taken to simplify the income tax and broaden its base. No action was taken on the VAT front.

#### **Improve the "rule of law"**

**Challenge and recommendations:** In order to reduce transaction costs and thereby improve conditions for business and investment, it was recommended that the effectiveness of the judiciary and enforceability of law and contracts be strengthened.

**Actions taken:** On-going efforts to facilitate administrative procedures (including in some states) and to use internet systems more broadly will contribute to improve transparency and fight corruption.