



BETTER POLICIES FOR BETTER LIVES

Measuring regulatory reform across states: from India to Mexico

Regulatory Performance Management: Benefits and Challenges
Joint OECD/Mexico Workshop

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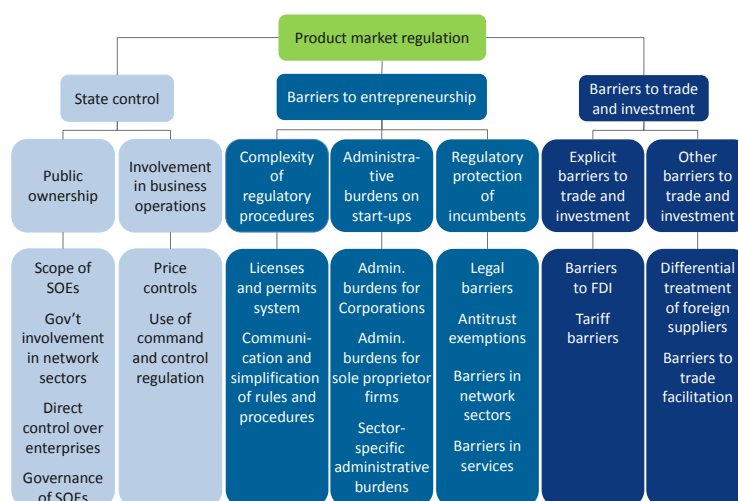
Head of Latin American Members Desk

OECD Economics Department

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Mexico City

OECD's Product Market Regulation indicator: "PMR"



Source: OECD

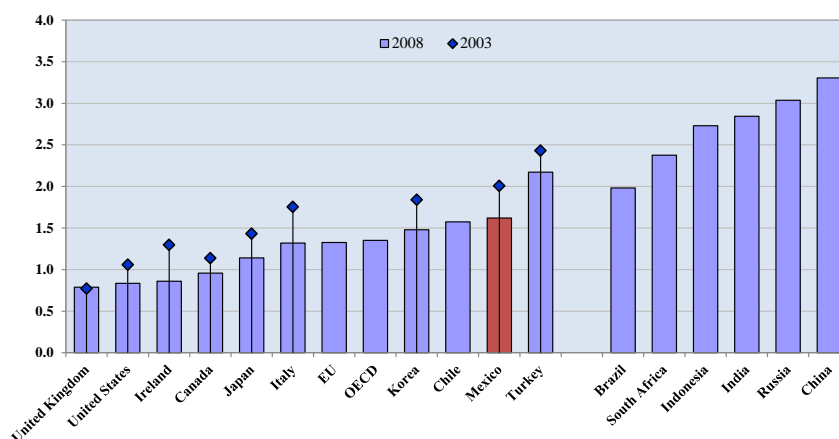
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“PMR” Indicator approach

- Laws & regulations bearing on competition
- Based on verifiable “objective” information
 - Governments supply policy data, peer reviewed
 - ~700 items per country, 100+ sectoral items
- Indicators summarize qualitative results
 - Map into 0-6 scoring system
- Use of indicators by OECD Secretariat
 - Benchmarking, diagnostics, policy reviews
- Strong evidence of impact on productivity
 - see Bourlès et al. (2010); Bouis et al. (2011); Ben Yahmed and Dougherty (2012)



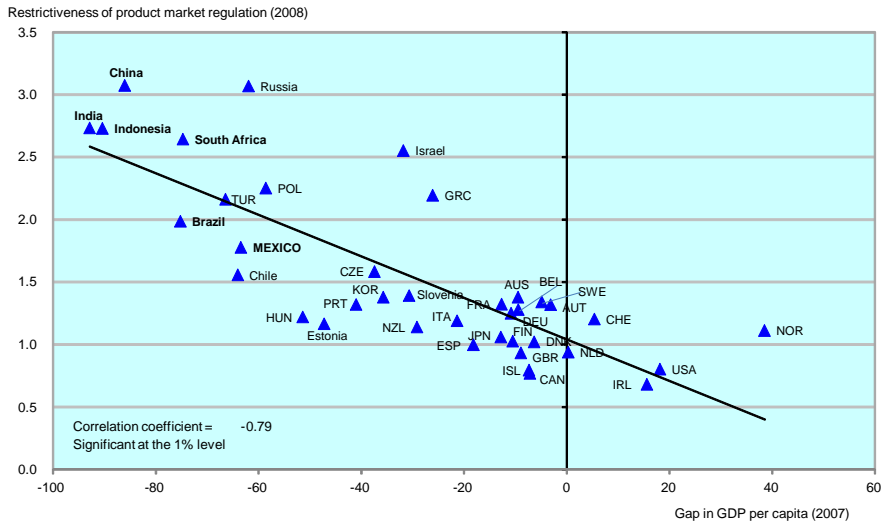
Mexico and India’s PMR is more stringent than most



Source: Conway et al. (2010)

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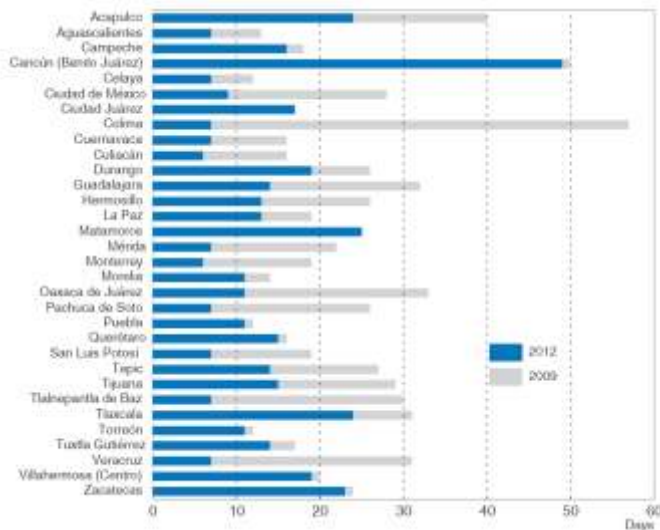
Less stringent PMR correlated with higher incomes



Source: Conway et al. (2010)

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Indications that Mexico's state PMR varies a lot



Source: World Bank Sub-national Doing Business

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Mexico's national PMR has declined over time

	1998	2003	2008
Product market regulation	2.71	2.46	1.86
State control	2.84	2.42	2.04
Public ownership	2.89	2.71	2.38
Scope of public enterprise sector	3.46	3.00	2.25
Government involvement in infrastructure sector	3.38	3.41	2.75
Direct control over business enterprises	1.84	1.72	1.53
Governance of state-owned enterprises	.	.	3.00
Involvement in business operation	2.79	2.12	1.70
Price controls	3.64	2.91	2.91
Use of command & control regulation	1.94	1.33	0.50
Barriers to entrepreneurship	3.04	2.51	2.13
Complexity of regulatory procedures	2.87	0.87	0.12
Licence and permits system	4.00	0.00	0.00
Communication and simplification of rules and procedures	1.73	1.73	0.23
Administrative burdens on startups	3.94	3.72	3.72
Administrative burdens for corporation	3.00	3.25	3.00
Administrative burdens for sole proprietor firms	3.30	3.55	3.80
Sector specific administrative burdens	5.51	4.35	4.35
Regulatory protection of incumbents	2.31	2.94	2.57
Legal barriers	2.18	1.72	0.74
Antitrust exemptions	0.73	3.00	2.25
Barriers in network sectors	4.70	4.69	4.42
Barriers in services	1.65	2.36	2.86
Barriers to trade and investment	2.26	2.45	1.40
Explicit barriers to trade and investment	2.90	3.53	1.42
Barriers to FDI	1.81	1.55	1.35
Tariffs	4.00	5.50	1.50
Other barriers to trade and investment	1.62	1.37	1.37
Differential treatment of foreign suppliers	1.96	1.96	1.96
Barriers to trade facilitation	1.28	0.78	0.78



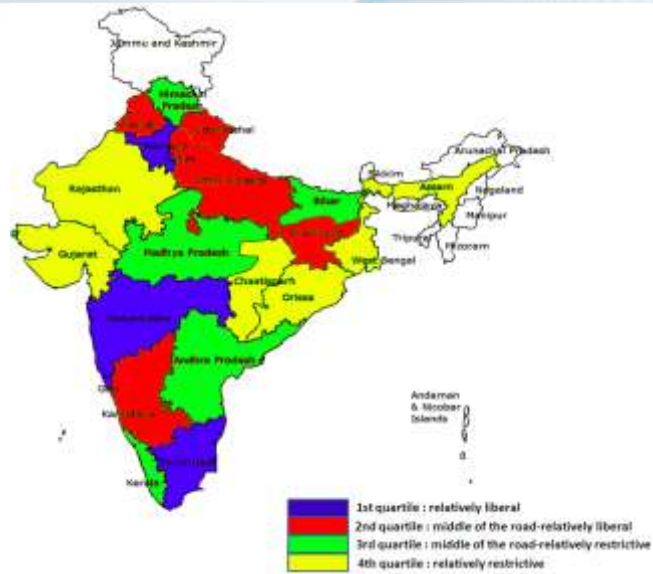
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State-level PMR: Example of India

- State-by-state data collection effort
 - Focusing on Barriers to Entrepreneurship, also labour-related rules index computed
 - Completed by experts, verified by state gov'ts
 - Custom questionnaire, state-level indicators
- Indicator allowed for extensive India-specific analytical work to be carried out
 - Numerous working papers, publications (e.g., Dougherty et al., 2008, 2009, 2011, 2013)

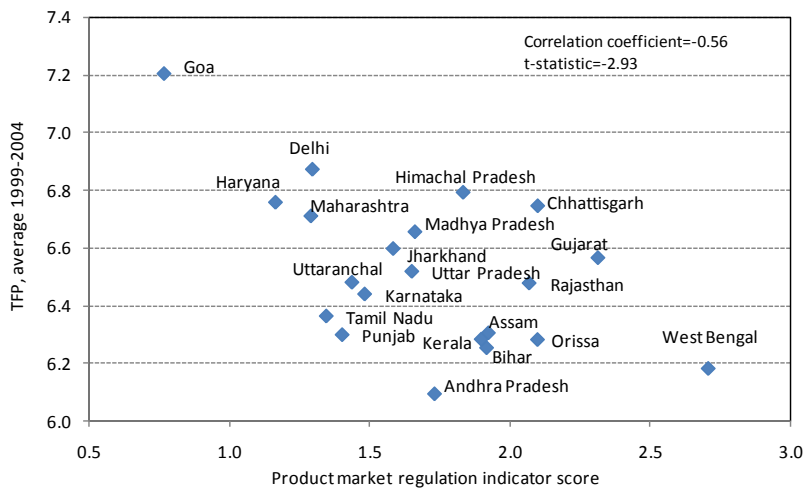


Considerable variation in PMR across India



Source: Conway et al. (2008)

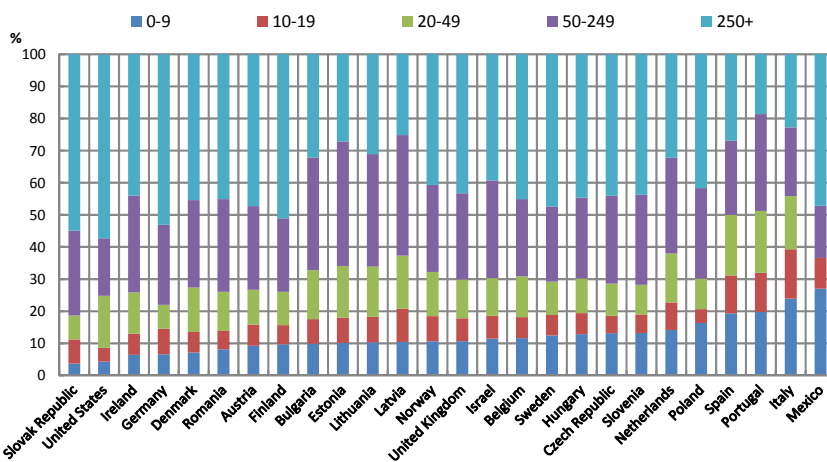
Indian states with lower PMR have higher TFP



Source: Conway et al. (2008)

Mexico has a very large share of microenterprises

Distribution of employment by firm size in manufacturing (2008)

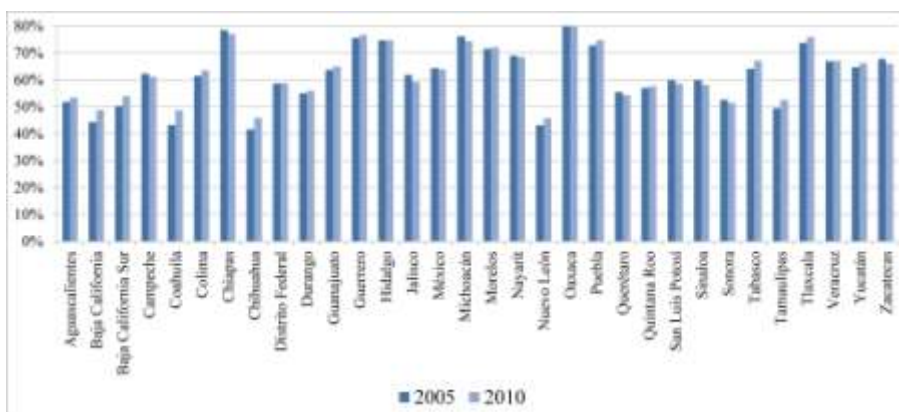


Source: Getting It Right – Strategic Agenda for Reforms in Mexico 2013

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One outcome: informality varies across states

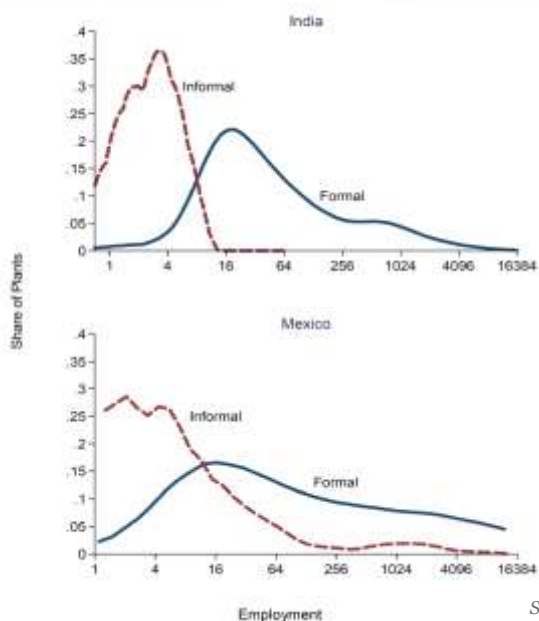
Informal employment as measured using participation in the social security system (IMSS)



Source: Dougherty and Escobar (2013)

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Informality and firm size are tightly intertwined



Source: Klenow (2012)

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Results of analytical work

Estimates of an informality equation across states and industries

Dependent variable :	(1)	(2)	(3)
Informality rate	OLS	LSDV	GMM
GDP per capita	-0.001** (0.005)	-0.005 (0.051)	-0.073* (0.039)
High school graduate share	-0.135*** (0.026)	-0.203*** (0.042)	-0.193*** (0.030)
Microenterprise share	0.521*** (0.023)	0.284*** (0.030)	0.275* (0.147)
Cost to start a business interaction			0.112* (0.057)
Stock of FDI as a share of GDP	-0.015* (0.008)	-0.006 (0.006)	-0.044** (0.022)
Corruption prevalence (Transparency index)	0.139*** (0.034)	-0.033 (0.020)	0.133*** (0.035)
Cost of tax administration as a share of taxes collected	-0.132*** (0.048)	0.043 (0.047)	-0.149*** (0.057)
Observations	3 063	3 063	2 559
R ²	0.754	0.854	0.744
RMSE	0.427	0.296	0.444
Hansen J statistic			0.391

- All variables are expressed in log form.
 - Estimators: OLS - ordinary least squares; LSDV - least squares dummy variables; GMM - generalized method of moments.
 - Cluster adjusted (state-sector pair level) robust standard errors are in parentheses. Confidence levels: *p < 0.10, **p < 0.05, ***p < 0.01.
 - Dummy variables and selected explanatory variables not reported here.
- Source: OECD estimates elaborated in Dougherty and Escobar (2013).



Source: Dougherty and Escobar (2013) 14

Final thoughts

- Strong evidence of links from PMR to firm entry, firm size and productivity
- Need to identify policy options can actually affect it, and track them

=> State-level effort would be highly promising

Muchas gracias!

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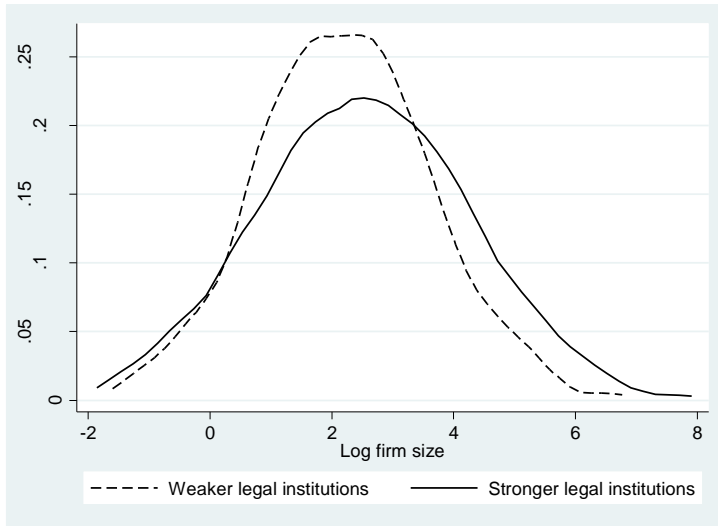


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Firm size is larger in states with better courts



Source: Dougherty (2013)

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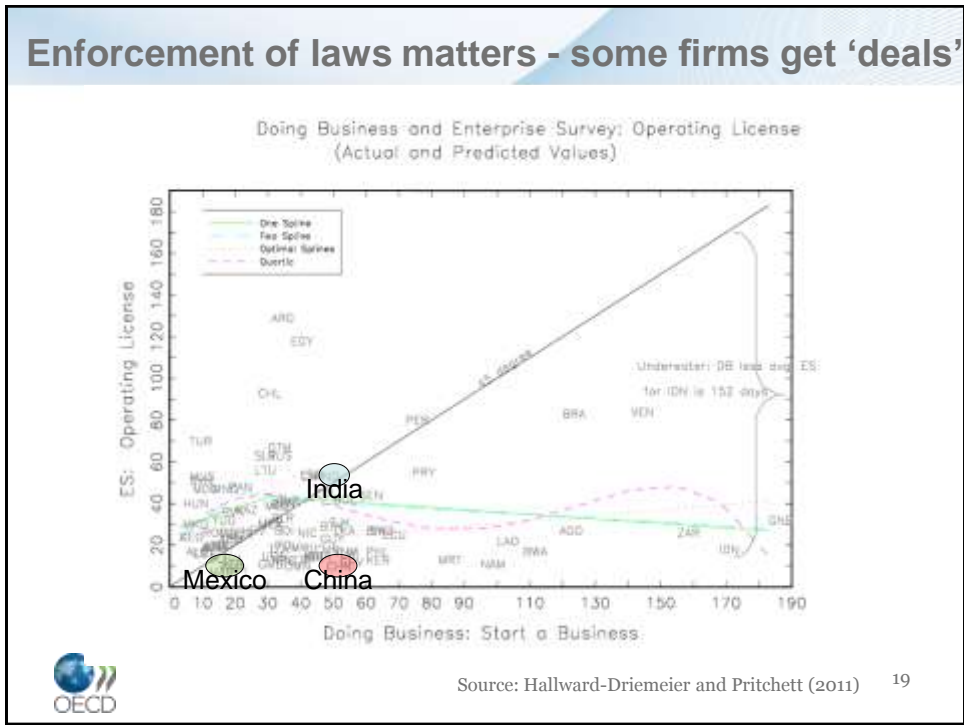
Estimated judicial quality varies by state (2011)



Source: Dougherty (2013)

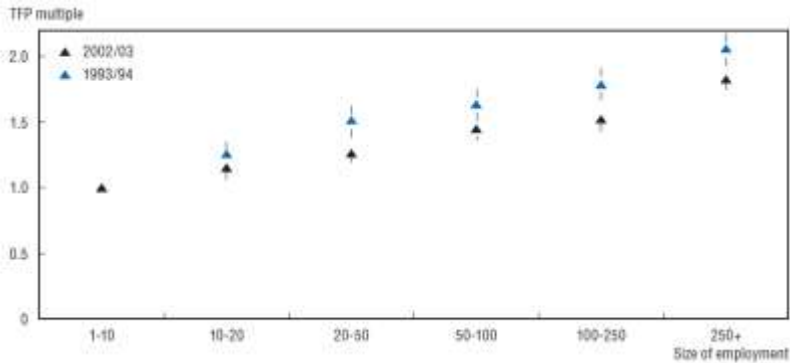
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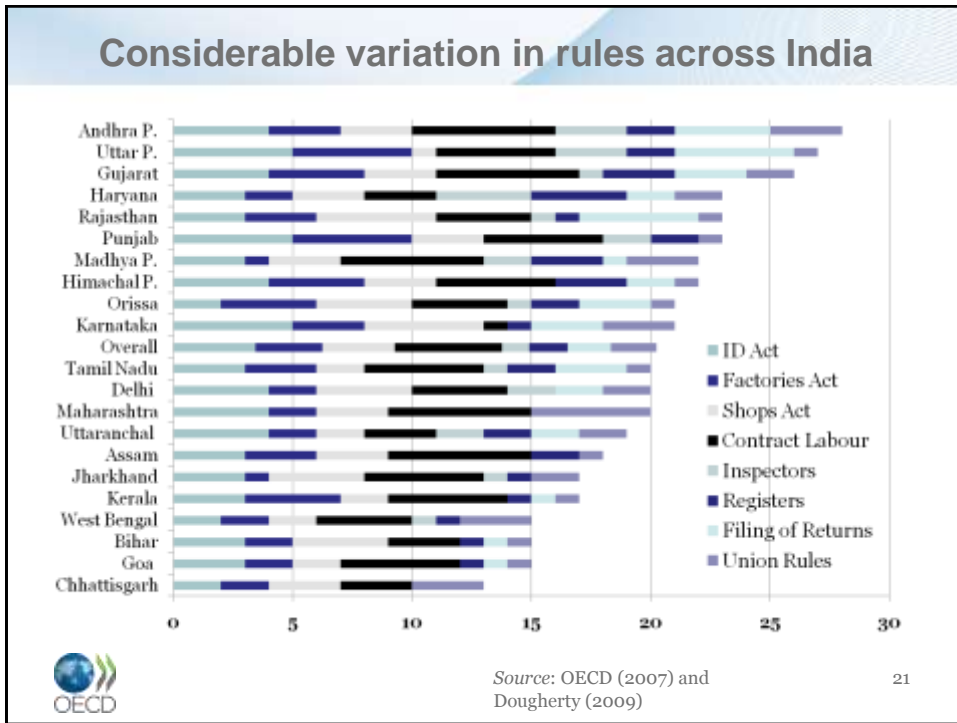
Enforcement of laws matters - some firms get 'deals'



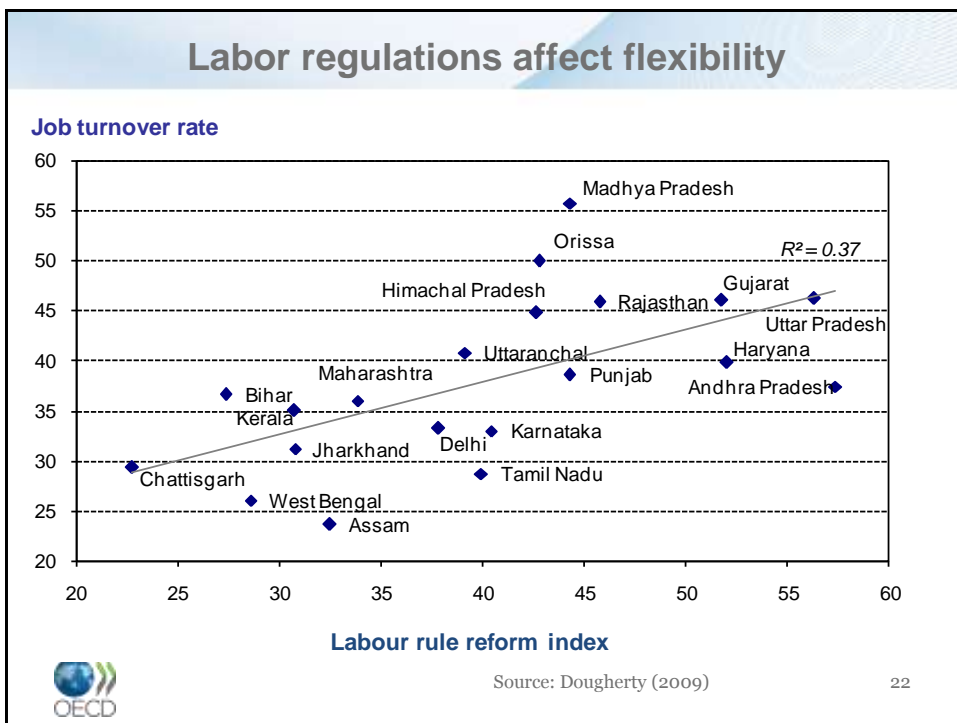
Partly through firm-level scale economies, for TFP

Gains in total factor productivity from larger establishment size in INDIA





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What policy package to use to address informality?

- “There is no magic bullet to address informality.”
 - OECD Economic Survey of Mexico, May 2013
 - A **package** of policies is needed:
 - Enhance education/skills
 - Lower entry costs, *yet reduce microenterprises*
 - Boost foreign investment, stock of FDI
 - Strengthen legal institutions, less corruption
 - Tax efficiency
 - (*Make EPL reforms, shorten dispute times*)
- => Plus more *development*, higher incomes





MEDICIÓN DEL DESEMPEÑO REGULATORIO: BENEFICIOS Y DESAFÍOS Experiencia CRE

México, D.F., a 23 de septiembre de 2013
Susana Ivana Cazorla Espinosa



Naturaleza y Atribuciones de la CRE

ARTICULO 1.- La Comisión Reguladora de Energía, órgano desconcentrado de la Secretaría de Energía, gozará de autonomía técnica, operativa, de gestión y de decisión en los términos de esta Ley. *Artículo reformado DOF 28-11-2008*

ARTICULO 2.- La Comisión tendrá por objeto promover el desarrollo eficiente de las actividades siguientes:

- I.** El suministro y venta de energía eléctrica a los usuarios del servicio público;
- II.** La generación, exportación e importación de energía eléctrica, que realicen los particulares;
- III.** La adquisición de energía eléctrica que se destine al servicio público;
- IV.** Los servicios de conducción, transformación y entrega de energía eléctrica, entre las entidades que tengan a su cargo la prestación del servicio público de energía eléctrica y entre éstas y los titulares de permisos para la generación, exportación e importación de energía eléctrica;





Naturaleza y Atribuciones de la CRE

V. Las ventas de primera mano del gas, del combustóleo y de los petroquímicos básicos. Por venta de primera mano se entenderá la primera enajenación que Petróleos Mexicanos y sus subsidiarios realicen en territorio nacional a un tercero y para los efectos de esta Ley se asimilarán a éstas las que realicen a terceros las personas morales que aquellos controlen; *Fracción reformada DOF 28-11-2008*

VI. El transporte y distribución de gas, de los productos que se obtengan de la refinación del petróleo y de los petroquímicos básicos, que se realice por medio de ductos, así como los sistemas de almacenamiento que se encuentran directamente vinculados a los sistemas de transporte o distribución por ducto, o que forman parte integral de las terminales de importación o distribución, de dichos productos; *Fracción reformada DOF 28-11-2008*

VII. El transporte y distribución de bioenergéticos que se realice por ductos, así como el almacenamiento de los mismos que se encuentren directamente vinculado a los sistemas de transporte o distribución por ducto, así como las terminales de importación o distribución de dichos productos; *Fracción reformada DOF 28-11-2008*

VIII. Se deroga. *Fracción derogada DOF 28-11-2008*



Naturaleza y Atribuciones de la CRE

Para los efectos de esta Ley, se entenderá por actividades reguladas las mencionadas en las fracciones anteriores.

En el cumplimiento de su objeto, la Comisión contribuirá a salvaguardar la prestación de los servicios públicos, fomentará una sana competencia, protegerá los intereses de los usuarios, propiciará una adecuada cobertura nacional y atenderá a la confiabilidad, estabilidad y seguridad en el suministro y la prestación de los servicios.



Indicadores de Regulación del Mercado de Productos

- ❖ Los indicadores de la OCDE de Regulación del Mercado de Productos (PMR) ayudan a detectar las áreas de oportunidad en donde las políticas y/o la regulación podrían promover, en mayor medida, la competencia en áreas del mercado de productos donde la competencia es viable.
- ❖ A continuación una lista de algunos indicadores que hacen evidente la necesidad de reformar. La lista ejemplifica tres tipos de áreas de oportunidad:
 1. Disonancia entre regulador y monopolio estatal
 2. Coordinación limitada entre política y regulación federal y local
 3. Falta de autonomía del regulador




1. Disonancia entre regulador monopolio estatal

Electricidad

- Do national, state or provincial governments control at least one firm in the sector? (Q1.1.2)
- If national, state or provincial governments control at least one firm in the sector, are there any legal or constitutional constraints to the sale of the stakes held by the government in these firms? (Q1.1.2a)
- How are the terms and conditions of third-party access (TPA) to the electricity transmission grid determined? (Q1.4.1)

Gas

- Do national, state or provincial governments control at least one firm in the sector? (Q2.1.2)
- Do laws or regulations restrict, in at least one market in the sector, the number of competitors allowed to operate a business (e.g. by establishing a legal monopoly or duopoly, or a limited number of franchises or licenses)? (Q2.1.4) Gas Production
- How are the terms and conditions of third-party access (TPA) to the gas transmission grid determined? (Q2.4.1)



2. Coordinación limitada entre política/regulación federal y local


Electricidad


Have major changes in regulation of the electricity market occurred since 2007? (Q1.5.1)

- Third party access (Q1.5.1a_ii)

Gas

Vertical Integration and Third party access

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3. Falta de autonomía del regulador

Electricidad

If the regulator is an independent body, how is it financed? (Q1.3.2a)

Gas

If the regulator is an independent body, how is it financed? (Q2.3.2a)

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Comentarios Finales

- ❖ La CRE está comprometida con el enfoque de la OCDE:
“.....enfoque de “gobierno completo” al abordar la reforma regulatoria, poniendo énfasis en la importancia de la consulta, la coordinación, la comunicación y la cooperación para afrontar los desafíos que implica la interconectividad de los sectores y las economías.”