



OECD Reviews of Regulatory Reform

MEXICO

**TOWARDS A WHOLE-OF-GOVERNMENT PERSPECTIVE
TO REGULATORY IMPROVEMENT**



Executive Summary

Regulations are essential to the proper functioning of the Mexican economy and society. They promote market efficiency, protect the rights and safety of citizens, and ensure the delivery of public goods and services. At the same time, regulations impose costs; businesses complain that red tape holds back competitiveness, while citizens criticise the time it takes to fill out government paperwork.

In recent years, Mexico has striven to improve its regulatory policy in order to support business activity and discourage informality. For the country's economic performance and social welfare, it is of strategic importance to have a regulatory policy that ensures that the regulatory machinery of the government works effectively; the regulatory frameworks and regulations are of optimal quality, effectively meet policy objectives and are of public interest. Other OECD countries have promoted economic growth and development through the contribution of the regulatory policy to structural reforms, the liberalisation of product markets, the opening to the international market and a less restrictive business environment that fosters innovation and entrepreneurship. Regulatory policy can also promote the rule of law with initiatives to simplify regulations and increase its accessibility and improvement to the appeal systems. It also promotes quality of life and social cohesion through greater transparency, always considering the opinion of those subject to regulation, and programmes for the reduction of red tape for citizens.

Regulatory policy and governance in Mexico

In the last years, Mexico has made several efforts to design and implement a regulatory improvement policy. The institutions involved in the better regulation policy have played a key role in enhancing regulatory quality. This includes the COFEMER, the Ministry of Economy, and the Ministry of Public Administration. As a result, Mexico is currently at a stage where positive results are being obtained.

Regulatory policy

Mexico has a formal policy on better regulation established in the Federal Law of Administrative Procedure (LFPA). The main elements of this policy include the establishment of the Federal Commission for Regulatory Improvement (COFEMER) as the oversight body, the responsibilities of line ministries and regulators as part of the better regulation policy, as well as the establishment of tools for the regulatory improvement policy, amongst them regulatory impact assessment (RIA), administrative simplification, consultation, and diagnoses of the stock of regulation.

The regulatory improvement policy also falls within the broader policy objective of economic growth and development of the Mexican government. The Ministry of Economy (SE) and the COFEMER lead the effort of pursuing regulatory policy for regulations applied to business and citizens. The Vice-Ministry for Competitiveness and Business Regulation promotes competitiveness of businesses and economic sectors by contributing to the advance of an integral regulatory reform in its administrative and legislative aspects, enhancing consistency and regulatory neutrality.

Regulatory institutions

The COFEMER oversees the better regulation policy in Mexico. The LFPA defines COFEMER's powers and mandate: to promote transparency in the development and enforcement of regulations, ensuring that they generate benefits that outweigh its costs. The COFEMER performs the functions of (i) coordination and supervision, (ii) challenge and scrutiny, (iii) training, advice and technical support for better regulation.

The COFEMER has the technical expertise to carry out an adequate advocacy function, but its institutional arrangements are not oriented to this end. Advocating reform is important in helping to identify opportunities and in supporting and arguing for the development and progress of reform initiatives. Technical expertise and an overall understanding of the regulatory process and the best practices to adopt are necessary requirements for an effective advocacy function. The COFEMER is endowed with these capabilities. Additionally, to freely and publicly advocate for regulatory improvement policy, political leverage and a degree of autonomy and independence are key features that an advocacy body must have. However, the current institutional arrangements of the COFEMER are not aligned to these features.

Ministries and agencies of the federal public administration have specific obligations for the better regulation policy. They must submit to the COFEMER all their legislative and regulatory drafts, along with their regulatory impact assessments (RIAs). In addition, at least every two years they must submit a programme of regulatory improvement on the regulation and formalities they apply, and periodic progress reports. They must also submit to the COFEMER and keep updated the information recorded in the Federal Registry of Formalities and Services (RFTS). To do this, the ministries and agencies of the federal public administration must appoint a senior officer to coordinate the process of regulatory improvement internally.

There are important synergies between the COFEMER and the Ministry of Public Administration in the better regulation policy. The Ministry of Public Administration and the COFEMER have coordinated to include the regulatory improvement programmes that the line ministries and regulators are obliged to submit to the COFEMER and implement, as part of the commitments of the PMG. With this feature, the Ministry of Public Administration is legally able to supervise the implementation of the programmes by line ministries and regulators, and apply sanctions in the case of non-compliance.

The institutional framework for regulatory improvement in Mexico is complemented with the Regulatory Improvement Council, which is expected to serve as the political arm and exercises "soft power" for the benefit of the policy on regulatory improvement. The council is intended to serve as a coordinating mechanism for the government, and as a liaison between the public, social and private sectors to obtain their opinions in terms of

regulatory improvement. By having some of the most influential ministries, the council is expected to achieve the necessary political consensus to carry out the different actions in the framework of the regulatory improvement policy and overcome internal resistance, what is commonly known as “soft power” for reform. In the last five years, the council has only had a couple of sessions, which indicates that it is not being employed to its full potential.

Regulatory tools

Mexico has now been applying RIA for more than a decade and it recently reformed the impact assessment system to align it with OECD best practice. The COFEMER exercises quality controls of new and existing regulations by issuing opinions on the drafts and RIAs prepared by line ministries and regulators. COFEMER’s opinions are not legally binding. Nevertheless, given that all of COFEMER’s opinions, as well as the draft regulations and RIAs, are public, in the majority of cases, line ministries and regulators do follow its opinions. In addition, COFEMER’s final opinion is a requisite to publish regulation in the Official Journal of the Federation (DOF), which is absolutely necessary to provide the regulation with binding power and legality.

Bold steps have been taken to strengthen and broaden RIA. Mexico has striven to complement and deepen the assessments of regulation as part of RIA. It has included the modalities of RIA with competition assessment and with risk assessment. In both cases, international best practices have been considered for such analyses. Additionally, Mexico has adopted the ex post RIA analysis for technical regulation, and has installed a system for quality management of RIA with the target of increasing the robustness of the analytical work prepared by regulators and line ministries.

Mexico has robust practices in transparency and consultation in the rule making process. The COFEMER is obliged to make public all draft regulation and their RIAs from the moment it receives them, as well as all opinions from the general public on the subject. Similarly, it is obliged to make public all its resolutions and opinions derived from the process of evaluation of draft regulations and their RIAs. The COFEMER, line ministries, and regulators are obliged to consider all public opinions. However, line ministries and regulators retain the capacity to decide whether to modify the draft regulations and the RIAs. In any case, the transparency of the process is a strong incentive for regulators to provide justification when public opinions are not incorporated into the regulatory proposals.

International best practice has been adopted in the programme to reduce administrative burdens. Recently, Mexico has adopted the internationally recognised Standard Cost Model, which has brought a renewed impetus across the federal government to reduce administrative burdens generated by formalities. Following international practices, Mexico has set the objective of reducing 25% of administrative burdens as part of the regulatory improvement programmes for the years 2011-2012 submitted by line ministries and agencies of the federal government.

Complementary administrative simplification strategies have been priorities for the Mexican government. Over the past few years Mexico has implemented several high-profile administrative simplification strategies: the online one-stop shop *tuempresa.gob.mx* has as its main objective to streamline the federal formalities required to legally incorporate a business; the one-stop service for foreign trade allows businesses carrying out import-export activities to request the necessary licenses and permits and submit the

corresponding information obligations in a single place and deal with just one authority; and the programme to review the stock of zero-based regulation, aimed at reducing the stock of both types of regulation: regulation inside government (RIG) and regulation applied to businesses and citizens (RABC).

Assessment and recommendations

1. Mexico should embrace a “whole-of-government” culture for regulatory improvement policy. Further work should be fostered to step up to a new phase of regulatory quality which embeds an effective and profound regulatory improvement culture across the federal government. The following suggestions should be considered:

Creating a small committee or council of ministers to review and approve high-impact regulations, or incorporating these activities into existing cabinet groups, would offer the benefits of providing a “collective” ministerial review and approval function, therefore improving compliance and accountability of ministers and officials proposing regulations, and driving a “whole-of-government” culture for regulatory improvement policy. Proposing ministers would have to demonstrate compliance with clear and public criteria (i.e. regulatory policy principles, specific government objectives), and such compliance must be a condition for approval.

Strengthening the network of units placed inside ministries that provide expert support in regulatory policy and governance matters: this should include support in the preparation of RIA, administrative simplification, administrative burden measurement, consultation, and communication. This approach is directed to embed regulatory quality practices from the early stages of the process to design and develop regulation, and make line ministries and regulators directly responsible and accountable for their regulatory performance to businesses, citizens, and the society at large.

Enhancing the role of the Ministry of Public Administration (whose functions have been transferred to the Ministry of Finance). Two main activities concerning regulatory improvement must be clearly set for this ministry: its responsibility in promoting and effecting better regulation for regulation inside government; and, regarding regulations applied to businesses and citizens, its capacity to enforce the commitments and responsibilities of line ministries and regulators in coordination with the COFEMER and the Ministry of Economy, and issue preemptive orders and administrative sanctions in the case of non-compliance.

2. In order to achieve the “whole-of-government” culture for regulatory improvement policy, the institutional design of the COFEMER must be strengthened. The commission needs its institutional design improved through policies that strengthen its legal authority and financial operation, to discharge its mandate as a central oversight body for regulatory quality. The aim is to consolidate its technical independence and protect its professionalism. The measures to achieve this can include a more autonomous budget, internal structures with clearer responsibilities, and more solid tools to exercise its power. The actions to strengthen the COFEMER should be accompanied by the setting of transparency and accountability rules that ensure fairness and credibility.

3. The advocacy function is a key element to achieve a “whole-of-government” culture for regulatory improvement policy. Mexico should consider the creation of a citizen-based agency external to the government that would unilaterally advocate for regulatory reform. Such advocacy function could be important in Mexico to identify reform opportunities and support the development of reform initiatives. It would also ensure that regulatory

reforms are broadly understood and accepted by business and civil society. The creation of an external advocacy agency, completely independent from government decisions, has the merit of ensuring that a truly external view of business and citizen needs is captured and countering the bureaucratic view and “status quo bias” that prevails inside government. This external agency would have an important role in advising the government on the impacts of existing regulations by providing ex post analysis of the effectiveness of regulatory policies and programmes with suggestions for possible reforms.

4. The legislative power is an essential element of regulatory governance and, as such, it should take measures to adopt a culture of regulatory quality. The legislative process exercised by the Mexican Congress does not contain, to date, any type of better regulation analysis. This contrasts sharply with the regulatory improvement policy applied within the federal public administration. Congress should consider adopting specific tools of regulatory policy as part of its legislative activities. This could include adopting techniques for ex ante and ex post evaluation of the impact of legislation. Transparency in the process of law-making should be enhanced, and the inclusion of formal and institutionalised public consultation should be a permanent aspect of legislative activities.

5. Include the management of tax procedures and all regulation and formalities from decentralised entities as part of the regulatory improvement programme. Mexico should consider the inclusion of the improvement of tax and fiscal formalities in its regulatory improvement programmes, as well as the formalities required by the decentralised entities, encompassing the formalities of the Mexican Social Security Institute. Such a decision would eventually lead to have the necessary conditions to eliminate tax formalities from the exceptions of the LFPA, in order to include them in the RIA process, in the programmes for administrative simplification and burden reduction, and in the other tools of the country’s regulatory improvement programme. It must be clearly stated that the objective is to make the management of tax formalities and procedures part of the better regulation programme. This does not include the capacity of the state to levy taxes by raising current tax rates or by creating new taxes. Moreover, Article 1 of the LFPA should be revised to include all the regulation and formalities from decentralised entities of the federal public administration into the discipline of regulatory improvement policy.

6. Consultation should be enhanced and be made systematic from the early stages of regulatory development, in order to advance in the whole-of-government approach to regulatory improvement. The Mexican government should consider enhancing the current consultation requirements by mandating that regulators and ministries conduct consultation with stakeholders at early stages in regulatory development. This consultation should be completed before a draft RIA document is prepared and submitted to the COFEMER, and should provide input to that document. The scope, depth, and nature of pre-RIA consultation could be commensurate with the impact of the proposed regulation, so that high-impact regulations would merit extensive early consultation. The development of a culture of pre-RIA consultation should go hand in hand with the adoption of mechanisms, safeguards and rules of engagement to prevent interest groups from trying to delay the process, and to avoid the risk of regulatory capture.

7. The quality and accountability of RIA analysis could be improved further. As a means to enhance RIA quality and accountability, the Mexican government should consider the merits of having the minister responsible signing off the RIA in order to certify its quality. This would constitute an important quality assurance factor, since it creates direct incentives within the regulatory agency or ministry for high-quality RIA to be developed.

Mexico should also consider the benefits of adopting additional measures to support regulators to obtain access to adequate technical capacities to undertake high-quality regulatory development and RIA. Potential strategies could include reshaping the Economic Intelligence Unit (EIU) to interact and collaborate with the units of regulatory improvement suggested previously. Through these units, the EIU would develop a dedicated capacity to provide technical assistance on benefit/cost assessment of regulatory proposals to line ministries and regulators at early stages of policy development, up to the point where preliminary RIA documents are lodged.

8. Consolidate and advance the policy of reducing the cost of regulation. Mexico should establish the programme of reduction of administrative burdens using the adapted SCM methodology as a permanent feature. Mexico should consider strengthening these measurements via more interviews, or expert opinions through panels. Mexico might consider these approaches only to a core of the most burdensome formalities or key economic processes. Finally, Mexico should consider measuring other costs of the regulation, such as substantive compliance costs. Qualitative techniques could be employed to identify other sources of irritation for businesses and citizens, which might not be correlated with the amount of administrative burdens.

9. Ensure the effectiveness of administrative simplification strategies. One way to complement and contribute to safeguard the effectiveness of administrative simplification strategies such as *tuempresa.gob.mx* is to incorporate an evaluation strategy before the project is launched. The aim would be to systematically assess the progress of the project throughout its life cycle: its development phase, once the initial outputs are obtained, and in a periodic way afterwards to evaluate whether the expected outcomes are reached.

Independence, performance, and accountability of regulators

Regulators are “agencies” vested with significant regulatory powers that are granted a certain level of independence, to ensure that decisions affecting key infrastructure and economic sectors are shielded from short-term political considerations and from specific private interests. The rationale for establishing independent regulatory agencies is to ensure that decisions affecting key infrastructure and economic sectors are shielded from short-term political considerations and from specific private interests.

Mexico’s regulatory agencies are “administrative deconcentrated bodies”, subordinated to a ministry in terms of their property, accountability and budget with differing levels of independency. Most of the regulatory agencies in Mexico have the status of the so-called “administrative deconcentrated bodies”. They have generally been created either through laws or decrees without a whole-of-government perspective. The relative situation of the various regulatory agencies reflects a fairly heterogeneous institutional design. The hierarchical subordination implies technical autonomy, but the degree of organic, administrative or financial autonomy substantially differs.

In some cases, there is no clear division of attributions between Mexican regulators and their parent ministries or other regulatory entities. In Mexico, a wide range of powers of regulators is exercised together with the supervising ministry, or are advisory powers to the ministry. These shared powers raise a number of difficulties and may generate a problem of “double-window” (e.g., in the telecommunications sector) as regulated subjects may not always know who will be the contact institution during the administrative process.

There is a wide diversity of procedures for appointment and dismissal of managers for Mexican regulators. Heads of some of the regulatory authorities are appointed by the President while in some cases it is the management board of the agency that appoints the chair. In other cases, it is the minister who appoints the chairperson of the regulatory agency. The length of the term of office is not unified, usually from two to five years; in some cases it is not even fixed at all.

A degree of independence in decision-making and budgetary autonomy below the OECD average, and lack of performance assessment mechanisms characterize Mexico's regulators. The independence of decision-making of social and financial regulators is generally weaker than the one of the economic counterparts. Budgets of regulators are determined by the “parent” ministries. The budget control also lays, with some exceptions, with the ministries, not regulatory authorities. Mechanisms for performance assessment are mostly insufficient, with the exception of specialised audits by the Superior Audit Office of the Federation (ASF). In general, when analysing the Mexican regulators, it can be said that there are substantive differences among them in many aspects of their independence and accountability. Mexican regulators’ degree of independence and institutional strength is below the OECD average.

Assessment and recommendations

10. The institutional regulatory framework should be modernised through a review of powers, attributions, and governance arrangements of regulatory authorities. The Mexican government appears to lack an underlying philosophy, let alone an official document, articulating which regulatory frameworks should be administered by independent regulatory authorities, what should in general be their main attributions and how these authorities should be governed. It is therefore advisable to develop a whole-of-government model for the governance of regulators. This model should set the basic cornerstones of good governance of regulatory authorities in Mexico, and should be used in revising existing governance arrangements of regulatory authorities as well as for guiding the development of new regulators. Through this universal model, the independence as well as the accountability of regulatory authorities in Mexico should be strengthened where necessary.

11. The governance framework of the Mexican regulatory authorities needs to be strengthened to ensure independence from direct political intervention and particular interests. Establishing a regulatory agency with a degree of independence (both from those it regulates and from the government) can provide greater confidence that regulatory decisions are made with the aim to maximise public value. Moreover, the nature of some regulatory decisions can at times involve higher risks to the integrity of the regulatory process, for example, due to pressures from the affected interests or the contentious and sometimes politically sensitive nature of the decisions. In terms of the regulators explicitly covered in the review, the division of powers between regulators and their “parent” ministries was not always clear. Careful consideration should therefore be given to suppress joint powers shared between agencies and ministries.

12. Sufficient mechanisms to ensure accountability of regulators, including sound performance assessment procedures, should be introduced. Performance assessment mechanisms of the regulators in Mexico are largely non-existent. If the independence of regulatory authorities is to be strengthened, this must be counterbalanced with stronger accountability mechanisms. In general, three aspects need to be considered for balancing

Box E.1. **Progress towards addressing the recommendations on the governance of the regulatory system by the 2012-2018 administration**

Mexico has given serious consideration to OECD's recommendations on strengthening the institutional capacity and independence of its regulatory bodies. There has been a substantive amount of analysis and debate amongst the executive and legislative powers, the political parties and civil society on the importance of strengthening regulators. As a result, there is currently a national consensus that these institutions should feature sufficient independence and clearly outlined regulatory powers. Specifically, reforms have been approved or are currently being promoted to strengthen governance arrangements of regulators in the areas of competition, telecommunication, transparency, anti-corruption, and evaluation of educational performance, under the framework of the "Pact for Mexico".

Amongst the constitutional reforms that have already been approved by Congress there is the upgrading to constitutional autonomous bodies of the Federal Commission of Economic Competition and the Federal Institute of Telecommunications, formerly COFECO and COFETEL, as well as the creation of the National Institute for the Educational Evaluation. The president has also presented to Congress the proposal of promoting the Federal Institute for Access to Information and Data Protection to a constitutional autonomous body, while also seeking for the establishment under the same status of the National Anticorruption Commission. Both proposals are currently under discussion at Congress.

One of the most important features is that these reforms aim to grant such regulatory bodies the highest level of independence existing in the Mexican legal system: constitutional autonomy. Mexico's reforms, which create specialised and more autonomous regulators with better defined functions and objectives, are likely to yield faster and higher quality regulatory decisions. With the recent debate, Mexico is demonstrating its conviction to address, at the highest political level, the state of independence of its regulators.

The future impact of these reforms will allow Mexico and OECD countries to examine the specific effects of the constitutional autonomy model and define the future framework of sectoral and structural reforms. In any case, the evaluation of the optimal model of institutional arrangements for regulators should consider industry-specific factors, in order to define the design and adequate institutional capacity to be granted to regulators, with the aim of reinforcing their organizational strength, in addition to increasing their degree of independence, without losing efficiency or coherence with the objectives of the public policy in the sectors under evaluation.

the independence of a regulator with its accountability: building appropriate governance structures; designing a proper system of appeals that also defines which authority will hear appeals; and instituting a dialogue between regulators, on the one hand, and Congress and citizens, on the other, in order to build institutional trust in regulators.

Multi-level regulatory governance

The federal states and municipalities of Mexico have been paying increasing attention to regulatory improvement policies in the last few years. Twenty-two out of the 31 federal states and the Federal District have a law on better regulation, mandating state authorities

and, sometimes, municipalities, to pursue regulatory improvement policies. In addition, six states have laws on economic development containing a section on regulatory improvement. Eleven out of these 32 sub-national units have a commission in charge of advocating and implementing better regulation; 19 have a unit within a ministry; and two have some other body fulfilling this role. Likewise, 20 states make use of a citizen council to promote the active participation of citizens in their regulatory improvement policies.

The pursuit of competitiveness and good government agendas has driven the creation of institutions for regulatory improvement policies, which have been complemented with training and capacity building. Different factors have been behind the emergence of institutions for regulatory improvement. For example, business associations explicitly demanded a regulatory improvement policy to Jalisco's state government; in Nuevo León a legal mandate determined the creation of institutions for regulatory improvement; in Colima it was basically the governor's leadership the key to establish regulatory reform as a priority, and in Aguascalientes one of the main incentives was to keep a good ranking in the sub-national edition of the *Doing Business* report.

Multi-level coordination across states and municipalities has been fostered mainly via covenants and state laws on regulatory improvement. The state laws on better regulation establish coordination mechanisms, such as via the signature of covenants or the implementation of specific programmes and tools (i.e., the SARE and centralised registries). The covenants between the COFEMER and states and/or municipalities basically establish that the COFEMER will provide training, advice, and implementation assistance concerning regulatory policies and tools.

Administrative simplification has been a good starting point to raise regulatory improvement issues on the political agenda of states and municipalities. The focus on simplification can be explained by several reasons. First, officials in states and municipalities do not always understand the difference between better regulation and administrative simplification, and the latter is easier to carry out than the former. Second, states have been immersed in a competition dynamic aimed at getting a good ranking in the sub-national edition of the *Doing Business* report and other competitiveness indexes. Finally, until a few years ago, the COFEMER devoted much of its attention in states and municipalities to the promotion and implementation of the SARE, which is a simplification programme for start-up procedures.

A handful of states and municipalities in Mexico are implementing RIA. Only a few states and municipalities have made use of more sophisticated tools that may get them closer to a regulatory governance cycle approach. In the case of RIA, seven states are actually implementing this tool, with wide variation in terms of the stage of adoption and sophistication: Colima, Guanajuato, Jalisco, Morelos, Nuevo León, Puebla and Sonora.

E-government tools are widely employed by states and municipalities to enhance regulatory transparency and simplify formalities. Despite different degrees of sophistication, e-government tools have been useful to advance regulatory transparency. Online centralised registries of formalities can be found in several Mexican states and even in some municipalities. In addition, states such as Colima and Jalisco are making use of transactional portals and electronic signature.

There is an incipient application of reviews of the stock of regulation by states and municipalities in Mexico. Nuevo León and Zacatecas are applying the technique known as "regulatory guillotine", which is based on an instruction from the top level of government,

aimed at regulatory agencies, to review the complete stock of regulations against criteria such as need and efficiency.

The cooperation between the OECD and the Ministry of Economy has supported states and municipalities to advance the better regulation agenda. The OECD-Mexico initiative *Strengthening of economic competition and regulatory improvement for competitiveness* has contributed to boost the better regulation efforts carried out by Mexican states and municipalities. This initiative included projects which identified the most burdensome formalities for the business sector in the nine participating states and provided recommendations to simplify them and analyses of best international practices from three sub-national governments recognised as top performers in different OECD countries and including three Mexican states as well.

Assessment and recommendations

13. Institutions and capacities that support regulatory reform in states and municipalities should be developed and strengthened while increasing the degree of political commitment to regulatory quality. Despite progress, there is still wide room to develop and strengthen the institutions and capacities that support regulatory reform in states and municipalities. In order for regulatory reform to take root and achieve continuity in the states and municipalities of Mexico, solid institutions need to be created. Monitoring the actual implementation of institutions and tools is important to ensure that they are not only confined in the letter of the law. Three basic building blocks can be suggested: laws for regulatory reform, units in charge of operating regulatory reform, and citizen councils to follow up regulatory policies.

14. Mexico should aspire to reach convergence of regulatory policies at sub-national levels and upgrade multi-level coordination. The lack of a structure facilitating political commitment to address regulatory concerns might have slowed down progress towards convergence of regulatory institutions and practices, particularly in those states that are lagging behind or do not know where to start. Convergence of the regulatory policies of states and municipalities should be an objective to pursue in the medium term. Mexico could replicate some of the features of “cooperative federalism” of Australia to improve multi-level coordination, such as a solid political agreement to pursue regulatory reform at national and local levels; funding schemes based on performance, and institutionalised monitoring of progress.

15. Regulatory policies at sub-national level should address all the stages of the regulatory governance cycle and be participative and permanent, while incorporating an approach consisting on policies, institutions, and tools. It is time to move beyond purely simplification initiatives to a regulatory governance cycle approach, so that regulatory policies in states and municipalities are comprehensive (address the different stages of the regulatory governance cycle), participative (motivate citizen participation in the management of regulatory policy), and permanent (stay beyond political transitions). The three levels of government, as well as other stakeholders of regulatory reform, have a role to play to accomplish this objective. A regulatory governance cycle approach that includes policies, institutions, and tools would imply the implementation of techniques such as RIA, risk-based regulatory management, and regulatory reviews.

16. At the same time that more comprehensive regulatory reform agendas are developed and adopted, administrative simplification should be strengthened as a basic tool for states that are already advanced and as a starting point for those that are only beginning to develop a better regulation agenda. States and municipalities that have not started or are just starting a regulatory reform programme can rely on administrative simplification initiatives to raise the issue on the political agenda. Highlighting “quick wins” and communicating the benefits of such initiatives to the public should be a central element of the strategy.

Box E.2. Progress towards addressing the recommendations on multi-level regulatory governance by the 2012-2018 administration

The federal government administration 2012-2018 has acknowledged the recommendations of this review and committed to address them. During its first few months, it pushed for an integral multi-level regulatory policy, which directly addresses the recommendation dealing with regulatory convergence and multi-level coordination. This effort led to a strategic agreement between the COFEMER and the AMSDE, signed on 12 March 2013, called Framework Agreement for Co-operation Concerning Regulatory Reform for Mexico’s Productivity and Economic Development (*Convenio Marco de Colaboración en Materia de Mejora Regulatoria para Incentivar la Productividad y el Desarrollo Económico de México*).

The objective of this framework agreement is to establish co-operation, coordination, and communication mechanisms so that the COFEMER and the AMSDE join forces and technical capacities with the aim of producing information and diagnoses, as well as to develop and implement methodologies, strategies, and practices to address a regulatory reform agenda shared with the 32 federal states, including the Federal District, and the municipalities. This shared agenda is composed of 21 items, divided in three groups: institutional, formalities, and systems for quick business start-up (see Box 7.26). These 21 items are aligned with the recommendations contained in the OECD *Guide to improve the regulatory quality of state and municipal formalities and strengthen Mexico’s competitiveness*.