

## *Review of Regulatory Performance of the State of Puebla*

### **Executive Summary**

In order to have a positive impact on the national and international indicators that measure the government's actions on regulatory improvement, in recent years the government of the state of Puebla has established as one of its priorities the adoption of a comprehensive regulatory policy, through the establishment of regulatory institutions and the adoption of tools that promote an effective and efficient regulatory framework that promotes efficiency in governance, competitiveness and increases the well-being of its citizens.

As a strategy to seek efficiency, the efforts and leadership in the Government of Puebla in the design and development of regulatory improvement projects for the state and municipal order were centralized in the Ministry of Finance and Administration; and the technical advice rested in the Superior Court of Justice of the State.

The purpose of this evaluation is to identify the progress made in establishing a simple and efficient regulatory framework and formalities, as well as to identify the recommendations that could result in a more optimal state and municipal regulatory management.

### **Relevant practices**

The state of Puebla has a Regulatory Governance Law that establishes the adoption of a comprehensive regulatory policy, which is consistent with good international practices in this area. The law promotes participation at the local and municipal level, and the interaction between Executive, Legislative and Judicial power.

There is a State Council for Regulatory Improvement, which allows and promotes the participation of the public, social and private sectors in the decision making of regulatory policy. The Council promotes compliance with the Law and participation of the sectors in the regulatory policy.

The obligation to carry out a Regulatory Impact Assessment (RIA) in the state of Puebla is at the level of law. Also, a Guide has been published to elaborate the RIA.

The state of Puebla has led a regulatory improvement strategy that has succeeded in simplifying high impact formalities. The administrative simplification strategy has focused its efforts on processes and formalities that evaluate the Doing Business report of the World Bank. This strategy has yielded considerable results: the entity was ranked fourth in the general index for the 2016 edition, compared to 2014 where it ranked 25th.

The portal *TramitaPue* is one of the main simplification initiatives that seeks to interact digitally with all the municipal and state formalities. The construction of this portal has favoured the simplification efforts, since it detonated the creation of a final inventory of

procedures which helps avoid duplication, asymmetries of information, among other problems.

The government of the state of Puebla managed to improve regulation that impacts business activity, where coordination with the municipality of Puebla was a key element. These efforts have yielded positive results in the World Bank's evaluation of the Doing Business study in Mexico in its 2016 edition, which evaluates the formalities which have impact on business activity. The actions undertaken improved the regulatory quality of the procedures so that a company is formally installed; permission to build a warehouse for commercial purposes; of formalities to formally register the purchase of a property for business purposes; and improve the time and cost to resolve a trade dispute through a local court of first instance.

The state government of Puebla has designed coordination instruments with the municipalities of the State of Puebla that have facilitated the implementation of the regulatory improvement policy. This working mechanism has allowed municipal governments to commit to implementing at least two regulatory improvement actions, monitoring progress and reporting results.

## Recommendations

- ***The regulatory framework for regulatory policy in the state of Puebla should be integrated.*** Currently the government of the state of Puebla has a draft by-law on regulatory governance that continues in internal review. Its publication is necessary to integrate the regulatory framework on regulatory policy.
- ***Puebla should consider strengthening its office responsible of overseeing the implementation of regulatory policy.*** Consideration should be given to the creation of the Regulatory Improvement Unit, which would be responsible of implementing the oversight, analysis, definition, opinion and evaluation of the implementation of public policies on regulatory improvement as well as the interinstitutional coordination of regulatory improvement in the state.
- ***Increase the involvement of Puebla society in the regulatory policy, through reinforcing the participation of entrepreneurs and citizens in the State Council of Regulatory Improvement.*** This could be achieved by allocating larger functions to this sector within the Council or by sharing the powers hitherto assigned exclusively to officials of the state public administration. This may include their participation in interdisciplinary working groups for the creation, evaluation or follow-up of regulatory proposals.
- ***The RIA system in the state of Puebla must be fully developed. Likewise, the practice of consultation should be established.*** It is necessary to ensure that regulatory projects are always accompanied by a RIA. The RIA system should have as essential element a process of public consultation that serves to collect evidence that there is a public policy problem, that government intervention is justified, and that regulatory action is the best alternative.
- ***Leverage on the achievements of administrative simplification to broaden the strategy to improve formalities.*** The strategy focused on the Doing Business processes was very successful. It is a priority to extend it to a broader base of formalities at state level, taking advantage of the inertia of change generated by the project.
- ***Extend the scope of the TramitaPue portal.*** The main challenge is to incorporate a broader spectrum of state and municipal digital formalities into the platform.

- *The improvement of procedures in the Municipality of Puebla under the impetus of the state government should serve as a source of inspiration to expand it to more formalities, so that more municipalities join in the simplification.* Procedures that go beyond the case studies included in the Doing Business report should be included. The working model with the municipality of Puebla should be used to encourage other municipalities to emulate simplification efforts.
- *Intensify training and follow-up activities for municipal regulatory improvement programs.*