



SE

**COFIMER**  
Comisión Federal  
de Mejora Regulatoria

Special Session of the  
Regulatory Policy Committee and the MENA-OECD Governance  
Programme Working Group IV

# Regulatory planning in Mexico

**Alfonso Carballo Perez**

**General Director of the Federal Commission on Regulatory  
Improvement**

**Paris, October 2010**

# The Mexican regulatory system and mechanisms



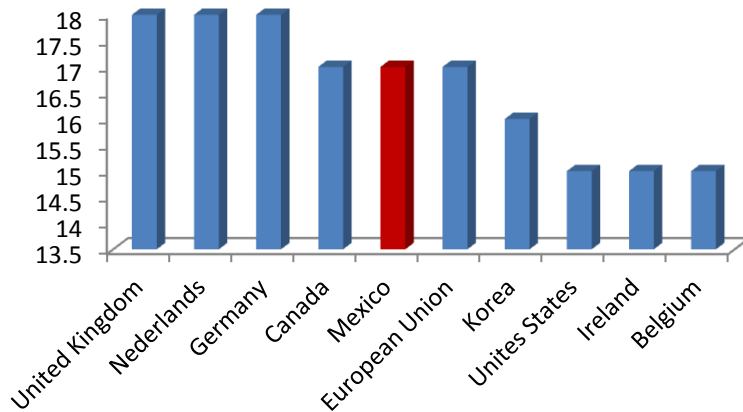
SE



## The Mexican regulatory system and its methods of strategic regulatory planning improved considerably with the establishment of the Federal Commission on Regulatory improvement (COFEMER).

The constitutional mandate of COFEMER is to ensure transparency in the formulation of federal regulations, as well as to **promote the development of cost – effective regulations that generate the highest net benefit to society.**

**Institutional capacity for managing regulatory reform**



Source: OECD (2009), "Indicators of Regulatory Quality Systems".

- COFEMER was created in 2000 as a technical and operational autonomous entity of the Ministry of Economy (oversight body), responsible for the coordination and supervision of the regulatory reform program of the Mexican government.
- The regulatory system and mechanisms established in law have granted Mexico the acknowledgment by the OECD for its institutional capacity for managing regulatory reform.
- **COFEMER is implementing two strategies for regulatory planning to improve the stock and the new regulation: Base-Zero Regulatory Reform and the Regulatory impact Assessment (RIA) Process.**

# Stock of regulation: Base-Zero Regulatory Reform



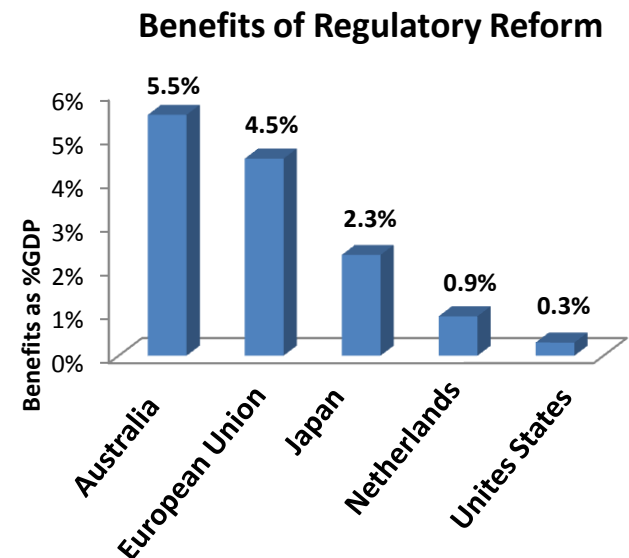
SE



The aim is to ensure that only strictly necessary regulations and procedures remain and that they can be carried out in the least possible time and simply, for the benefit of the country's economic activity.

- On September 2, 2009 President Felipe Calderon instructed a Zero-Base Regulatory Reform in order to repeal all regulations whose need was not justified, remaining only indispensable regulations and generating a real impact on citizens and businesses.
- Previous efforts had taken place, but they did not prioritize the citizens point of view.
- **Base-Zero Regulatory Reform was implemented as a review of processes citizens and business have to face every day and not as isolated procedures.**
- **Since the point of view of the citizens and business, this reform implies the analysis of life-cycle.**

- International experience shows that Regulatory Reform leads to significant benefits on economic growth.



# Regulation and the Business life cycle in Mexico



SE



The Federal Registry of Formalities and Services has 3,057 formalities inscribed.

## Business life cycle

### Start a business

1. Creating a corporation.
2. Getting concessions, permits, licenses and authorizations.
3. Providing information to public records.
4. Notices delivery.
5. Financing.

**494\* procedures**

### Operating a business

1. Getting government support.
2. Periodic information delivery.
3. Taxes and duties.
4. Imports and exports.
5. Extension and modification of concessions, permits and licenses.
6. Property rights.
7. Business with government.
8. Labor

**1928\* procedures**

### Closing a business

1. Cancellation of licenses, authorizations, concessions.
2. Registering the commercial dissolution in the Public Registry of Commerce.
3. Registering the name of the liquidators.
4. Deposit in the Public Registry of Commerce the final balance of society.

**75 procedures**

**Citizens**

**525 procedures**

\*It includes procedures that fit in other stages as well simultaneously

# Strategy for measuring the economic costs of the federal regulation in Mexico



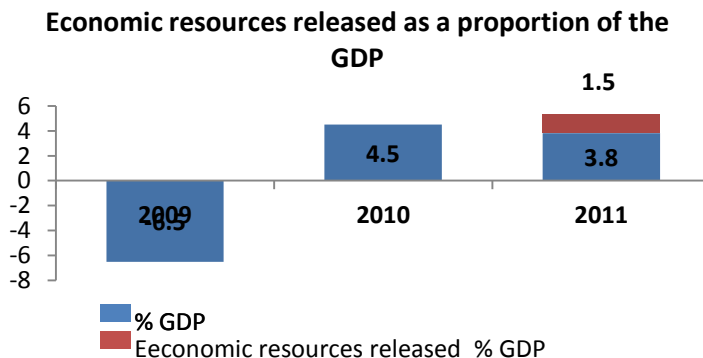
SE



The aim is to have an efficient tool for planning in the short, medium and long term towards administrative simplification in Mexico.

Measuring the cost of regulation will allow us to:

- Know the total cost of regulation in the life cycle of business and citizen formalities.
- Designing agendas of short, medium and long term in order to release financial resources.
- Create a ranking and indicators of the most expensive procedures within the Government.
- Conduct analysis of administrative burdens for economic sectors.



\*Estimation made with data obtained with the SCM.

## First approach: Evaluation for the procedures of the Ministry of Communications and Transport

- 62 procedures for the aviation industry, maritime, rail and multimodal transportation were subject to several reforms.
- 87 actions were evaluated for the 62 procedures. Implementing the cost evaluation mechanism, it was calculated that the reforms resulted in the release of 1 million 393 thousand days of waiting time, and into economic benefits of 25 thousand 423 million pesos equivalent to 0.22% of GDP (2,057 million dollars).

# Results of the Base-Zero Regulatory Reform strategy



SE



The Zero-Base Regulatory Reform have derived in great benefits, releasing economic resources and eliminating administrative regulations.

## The Ministry of Economy supervised the efforts on economic measures

The Ministry of Economy identified 12 economic and 5 taxing measures

Economic measures yield a total of **20,000 million pesos of economic resources released**

Taxing measures yield a total of **15,000 million pesos of economic resources released**

## The Ministry of Public Administration supervised the efforts on administrative simplification

Federal agencies identified all internal regulations subject to elimination

9 manuals were created, concentrating the intern federal regulation, replacing 5,000 norms.

**Over 12,000 regulations were eliminated**

# Gains



**48,000 million pesos of economic resources released**

**(3,867 million dollars)**

# The Regulatory Impact Assessment and its contribution to the Base-Zero Regulatory Reform



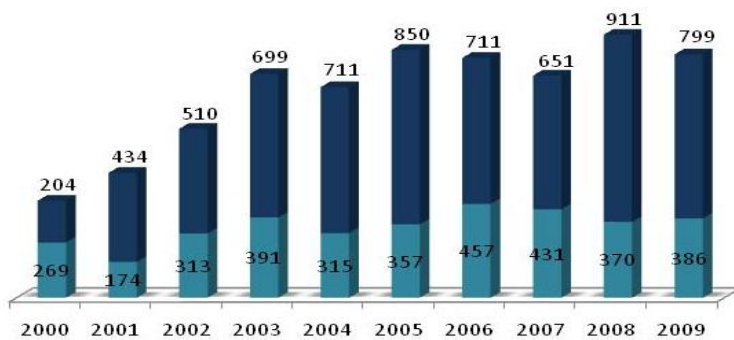
SE

**COFEMER**  
Comisión Federal  
de Mejora Regulatoria

In 2010, COFEMER embarked in a comprehensive reform of the RIA mechanism in order guarantee that the regulation flow will not affect the already reformed stock of regulation.

- The Regulatory Impact Assessment (RIA), was implemented for wide use in Mexico in 2000. The RIA mechanism has contributed to improve law drafting quality, allowing government decisions and the respective regulatory instruments to be more transparent and rational.

**Regulations reviewed by COFEMER**



- Regulations with compliance costs
- Regulations without compliance costs

## Features of the new RIA process

- The new RIA mechanism is a tool for regulatory planning that filters new regulation, providing a systematic revision of its costs and benefits.
- It aims to modernize the process for issuing regulation through a more efficient and client oriented processes.
- It includes the implementation of a **regulatory impact calculator** and incorporates all **constitutive elements of RIA** identified by OECD.
- The regulatory impact calculator is a pre-assessment or threshold for determining the level of analysis needed for each draft regulation.
- The calculator evaluates the stages of the business cycle, the economic processes and the impact on consumers and economic units subject to regulation.
- The aim is to reduce the administrative burdens.

# Mexican experience on Regulatory Reform yield a series of findings on regulatory planning.

## Findings based on Mexico's experience

- An oversight body implementing the regulatory reform process is necessary for the success of the policy (COFEMER).
- Regulatory planning is a key element on regulatory reform and administrative simplification. Mexico implements the Biannual plans, which integrate the regulations and procedures to be created and those subject of elimination by the agencies. Such plan has to be presented by the agencies every two years, scheduling its regulatory policy.
- A catalog of all federal formalities is necessary in order to acknowledge which of them are subject of elimination. Mexico implements the Federal Registry of Formalities and Services, which is an on-line inventory of all formalities required by the Mexican Federal Government Bodies.
- One of the main tools of the strategic regulatory planning is the use of the Standard Cost Model for identifying priority areas.
- As an important part of the Regulatory Reform, RIA process must be improved as a filtering mechanism. This implies that RIA process has to be reviewed systematically, based on international standards (we recommend each 2 years).