

Mexico

Key facts and issues

Mexico is a federal country with a population of 121 million. Subnational governments are responsible for 50.6% of public expenditure, ranking it the 4th most decentralised country in the OECD in terms of public spending. However, Mexico has the lowest level of public spending and public investment per capita in the OECD. Around 46% of its population lives in predominantly urban areas.

Mexico's GDP per capita at just under USD 18 100 is 56% below the OECD average, the lowest per capita value in the OECD. In addition, the poverty rate after taxes and transfers was 19% in 2013, the highest in the OECD. Mexico experiences high levels of inter-regional inequality. The inter-regional differences in per capita GDP among small regions (TL3), as measured by the Gini index, were the 2nd highest in the OECD, albeit the gap has decreased since 2008. The richest region is six times richer than the national average. In 2013, productivity in the region with the highest level, Campeche, was 12 times higher than in the least productive region, Chiapas. The employment performance (unemployment and employment rates) of Mexico is above average compared to the OECD. Gender equality is an issue, as the even the most gender equal region in Mexico, with respect to labour force participation, has a gap between men and women that is more than 4 percentage points larger than the OECD average.

Mexico: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	National Development Plan 2013-2018 (2013)	Sustainable and smart urban development; reduce the housing deficit; inter-institutional co-ordination among the three levels of government for regional and urban development	Ministry of Agrarian, Territorial and Urban Development (SEDATU)
Urban	National Programme for Urban Development 2014-2018 (2014)	Control of urban sprawl; strengthen urban development; land management (improvement of regulatory instruments); sustainable mobility; avoid development of irregular settlements in risk areas and reduce vulnerability of the urban population; strengthen the National Regional Development Policy through economic and local vocational opportunities	Ministry of Agrarian, Territorial and Urban Development (SEDATU)
Rural	Law on Sustainable Rural Development (2001)	Agriculture through direct support and preserving family-owned farms; sustainability, land tenure and legal certainty	Ministry of Agrarian, Territorial and Urban Development (SEDATU)

General policy approach

Within the framework of the 2013-18 National Development Plan (NDP), a Regional Development National Policy was developed. It focuses on regional, urban and rural development and the linking infrastructure as well as general concerns of competitiveness, social inclusion and environmental sustainability. The Ministry of Agrarian, Territorial and Urban Development has also developed Regional Programmes for Development that cover the North, South-Southeast and Centre regions of the country, which are countersigned by 15 ministries. New spatial analyses of functional areas (called Rural-Urban Systems) are being used to inform policy. The National Development Plan 2013-2018 aims to provide a suitable environment for the development of a decent life through a smart, sustainable development model to ensure decent housing for Mexicans. Both, the National Urban Development Programme and the National Housing Programme aim to control urban sprawl, improve the quality and reduce the deficit of urban and rural housing, and diversify housing solutions so as to contribute to the strategic objectives of the National Development Plan. Within rural policy, agricultural development has had a long-standing focus on legal certainty for land tenure issues.

Recent policy changes

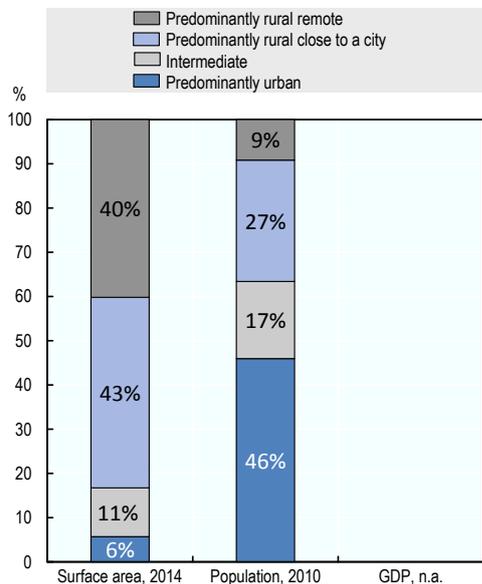
- The Ministry of Agrarian, Territorial and Urban Development (SEDATU) was created in 2013, combining responsibilities in those areas under one ministry. This has led to a new emphasis on urban policies, including land policies, as well as better institutional co-ordination in the sector.
- A functional territorial analysis is being used to inform regional policy that goes beyond administrative boundaries to measure the flows of people, goods, traffic, etc. It defines Rural-Urban Systems (SUR), hubs where economic, social and cultural activities are gathered.
- In 2015, a new programme to create three special economic zones was announced, in the Isthmus of Tehuantepec, Lázaro Cárdenas and Puerto Chiapas. The aim is to bridge the development gaps between the south and the rest of the country through the creation of new development poles.
- There is a new urban model to promote compact development, productivity, accessibility, mobility, sustainability. The Perimeters of Urban Contention instrument, based on geographic information systems, is designed to prevent urban sprawl and is used to define the spatial targets of some federal programmes in relevant fields.
- A 2013 nation-wide political reform allows re-election of congressional representatives and municipal mayors. It is hoped this reform will encourage greater long-term policy approaches to boost infrastructure investment and urban development projects.
- In 2016, a Constitutional reform was passed in Congress to give the Federal District the status of a federal state called *Ciudad de México*. It will give the city access to extra funding from the national government and active participation in constitutional reforms. The ‘constitution’ of the new state is currently being elaborated.

Mexico: Main regional, urban and rural development policy tools

Policy Instrument	✓ Examples
Transport Infrastructure investments and systems of cities	✓ <i>Regional:</i> National Programme of Infrastructure : main objective is to focus national programmes and investments from different ministries strategically to promote development and connectivity
Other Infrastructure investments	✓ <i>Regional:</i> Programme of Infrastructure and Services (UPPAIS, Apoyo a la Infraestructura y Servicios) of SEDATU and the Programme to Rescue Public Spaces (PREP, Programa de Rescate de Espacios Públicos) of SEDATU
Service delivery (subsidies for public services)	
Business development/ innovation support	✓ <i>Regional:</i> National Institute of Social Enterprises (INAES, Instituto Nacional de Empresas Sociales) and the National Institute of Entrepreneurship (INADEM, Instituto Nacional del Emprendedor) both from the Ministry of Economy
Urban renewal	✓ Programme of Urban Consolidation and Housing Rehabilitation (PROCURHA) - Zero Budget, technical assistance for municipal authorities for integral rehabilitation of urban sectors focusing on twelve areas of intervention through participation
Urban form and land use	✓ <i>Urban:</i> Perimeters of Urban Contention (PCU's): Delimitation of urban boundaries to promote inter-urban development and prioritize the allocation of federal resources
Sustainability policies	
Rural-urban linkages	
Clusters/technology platforms/ centres of expertise	✓ Prosoft is the Programme for the Development of the Software Industry; a programme of the Ministry of Economy; in 2008, the Prosoft fund acquired a further boost due to a World Bank loan aimed at promoting the development of IT in Mexico. It also supports IT clusters
Special economic zones	✓ A new initiative focused on the southern states of Mexico: Guerrero, Michoacán, Oaxaca and Chiapas, which are the states with the highest level of poverty in Mexico. The zones, 3 designated thus far, will include substantial infrastructure investments, and a business-friendly regulatory framework on labour, taxes and trade
Rural landscape preservation	✓
Skills/training programmes	
Capacity building for subnational governments	✓

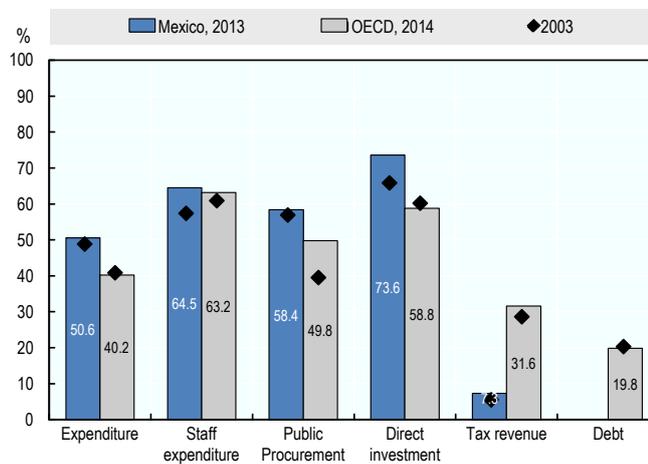
Land, population and economy in rural and urban regions

Share of country total



Subnational government role in public finance

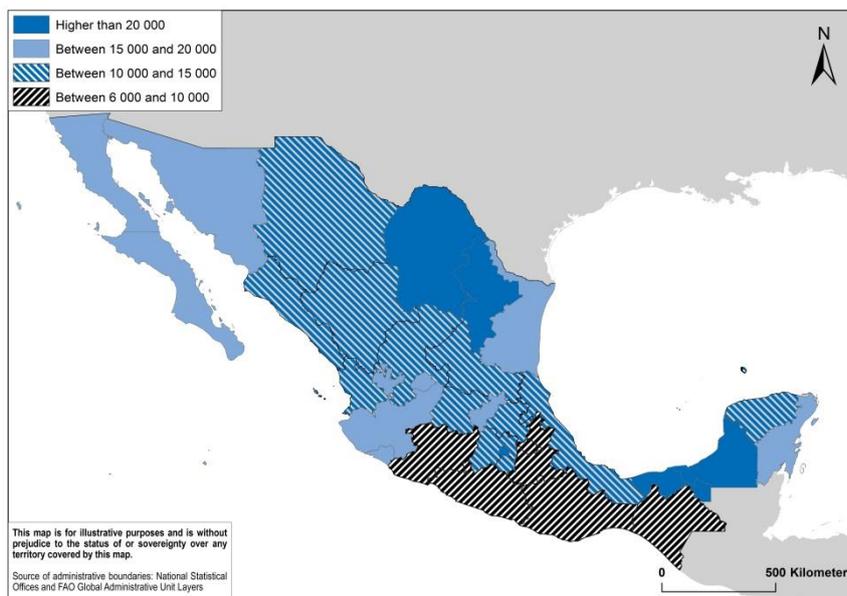
Share of general government



Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
2 457		32	2 489

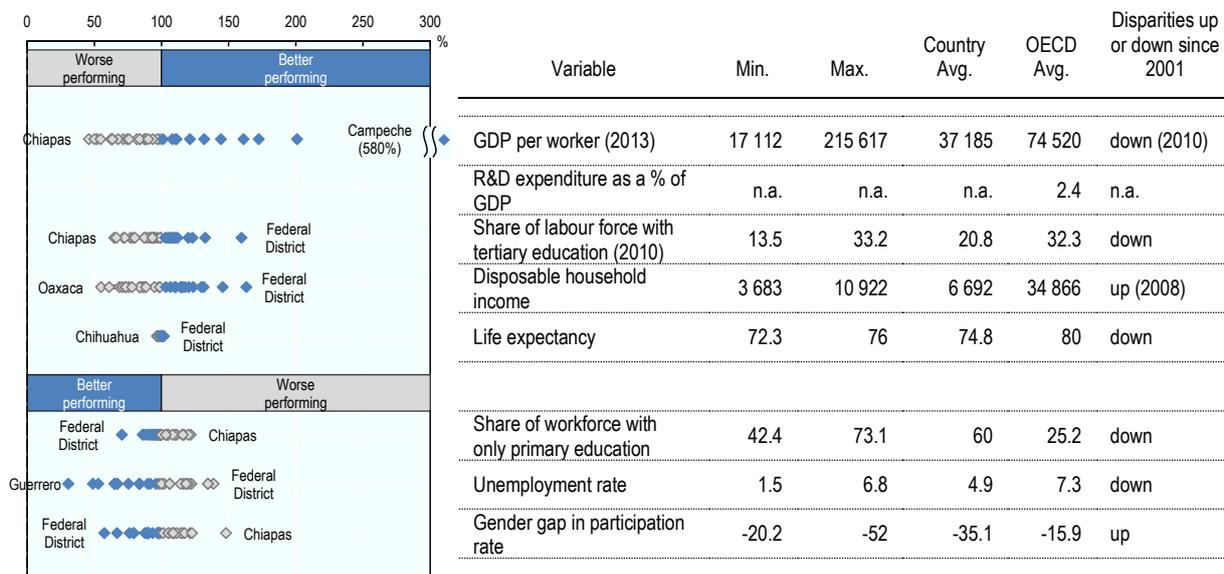
Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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Inter-regional disparities (as a % of the country average)

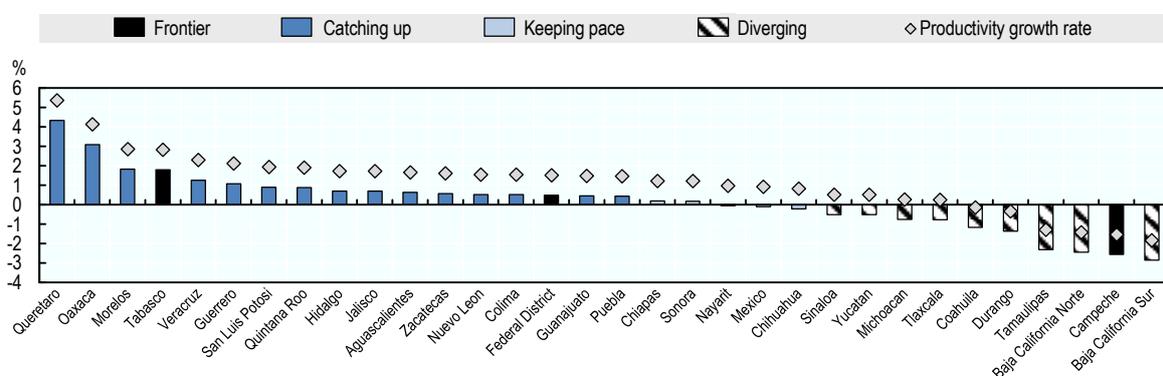


Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

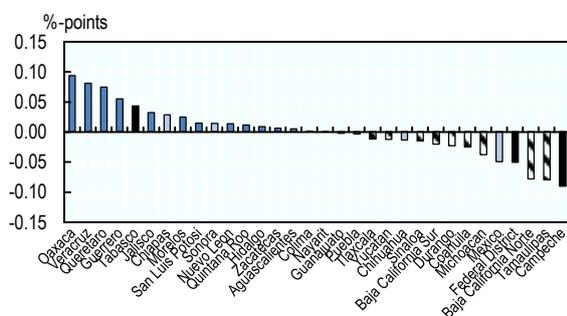
Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2010-2013

See country page notes for classification of regions

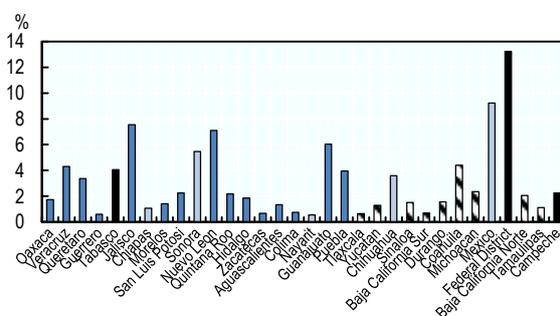


Contribution to labour productivity growth, 2010-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Percentage contribution to national GDP growth, 2010-13



Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km ² grid cell population weighted average of satellite-based estimates of small particulate matter (PM _{2.5}).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en.