

## MEXICO

Growth in GDP per capita has been barely sufficient to prevent the large gap vis-à-vis the wealthier countries from widening further. The low level of labour productivity is the main source of the income gap.

### Policy priorities

#### **Raise achievement in primary and secondary education**

**Challenge and recommendations:** Given poor educational outcomes, it was recommended that a better allocation of education spending be sought, with more focus on non-wage spending and secondary schooling, and that better use be made of existing incentives for teachers to perform.

**Actions taken:** The conditional transfer programme, *Oportunidades*, has been extended and is fostering participation in upper-secondary education of students from low-income families. Steps have been taken to reform curricula and teaching practices up to and including lower-secondary education.

#### **Reduce barriers to entry in network industries**

**Challenge and recommendations:** To improve the business environment and strengthen cost competitiveness, it was recommended that competition be further strengthened and regulations improved, with a focus on key network industries (e.g. telecommunications, electricity and railways) and the media sector.

**Actions taken:** The government issued licences to cable TV companies to operate telephony services. It is preparing the ground for issuing new broadcasting licences to promote competition following the Supreme Court's ruling in 2006 against some of the amendments to the media law that had given benefits to the incumbents at the expense of new entrants. No action taken in the other areas, but the government is launching a broad review of existing laws and regulations to eliminate unnecessary restraints on competition, using the OECD *Competition Assessment Toolkit* as a framework.

#### **Reduce barriers to foreign ownership**

**Challenge and recommendations:** To promote competition and innovation, it was recommended that restrictions on foreign direct investment (FDI) still in place in many sectors be eased, with a focus on telecommunications, transport and the electricity sectors.

**Actions taken:** No action taken.

#### **Reform the tax system**

**Challenge and recommendations:** To strengthen tax revenue and secure resources for growth-enhancing programmes while reducing distortions, it was recommended that a comprehensive reform be launched, including a broadening of the tax base and simplification of the system by limiting exemptions and preferential regimes.

**Actions taken:** A tax reform was approved in September 2007. It goes some way to broadening the tax base and reinforcing more stable sources of revenue. Steps are also being taken to improve spending efficiency.

#### **Strengthen the “rule of law”**

**Challenge and recommendations:** To facilitate business activity and enhance FDI inflows, it was recommended that measures be taken to improve the “rule of law”, with greater transparency, more secure property rights and more predictable law enforcement, in particular. A tightening of procedural rules for litigation (*amparos*) would make policy enforcement more effective – in areas such as competition law, collecting fines, and the application of the legal framework for bank guarantees.

**Actions taken:** The government and state governors are taking action to address security problems; no action taken in the other areas.