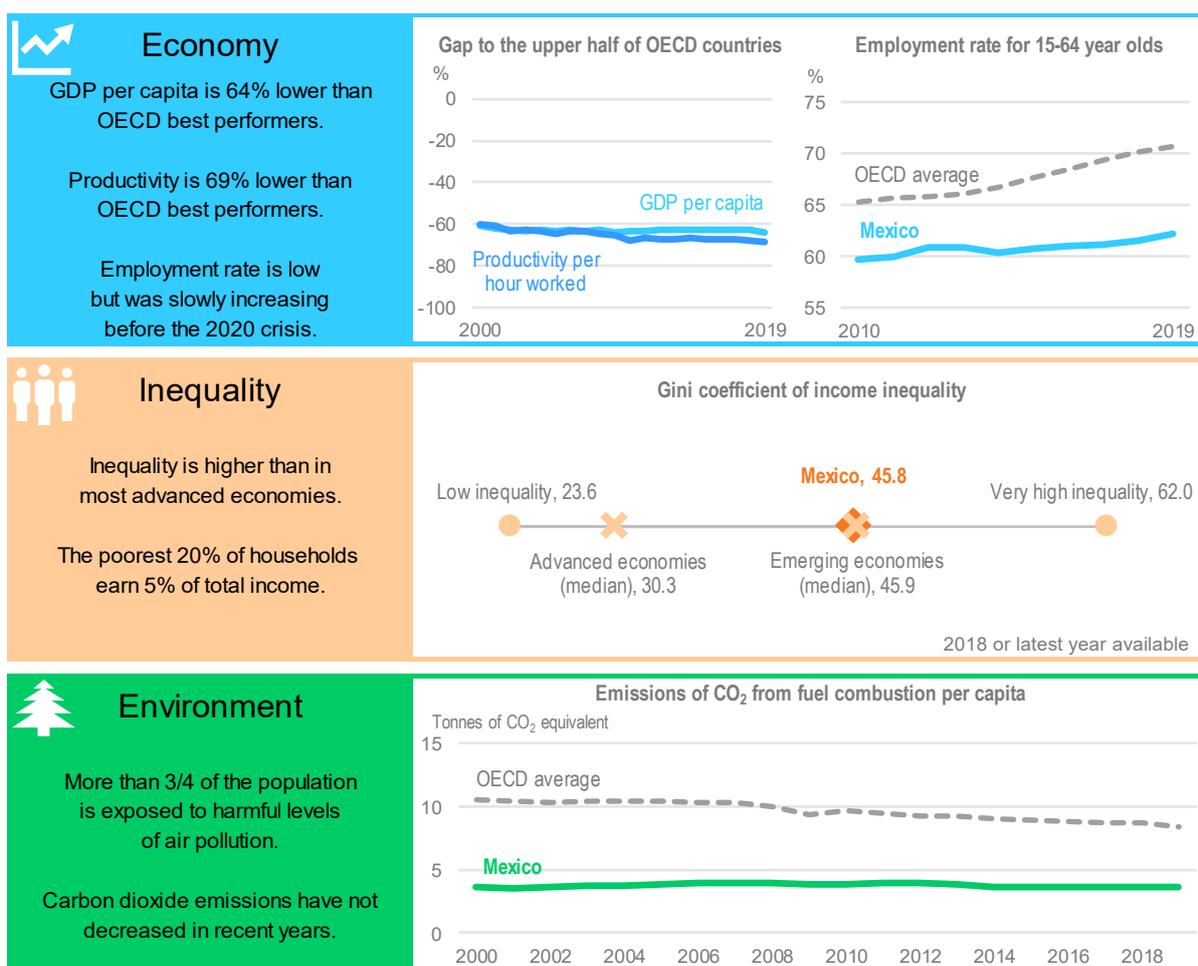


# Mexico

The pandemic highlighted how recent increases in poverty, inequalities and gender gaps, exacerbate a long-standing challenge to increase inclusiveness. Raising living standards will require boosting productivity growth by improving the business climate, including through fighting corruption and enhancing the skills across the population.

## Performance prior to the COVID-19 crisis



Economy: Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs).

Inequality: The Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. The latest available data for Mexico is 2016.

Environment: A high exposure to air pollution refers to above 10 µg/m<sup>3</sup> of PM<sub>2.5</sub>.

Source: Economy: OECD, National Accounts, Productivity and Labour Force Statistics Databases; Inequality: OECD, Income Distribution Database and World Bank, World Development Indicators Database; Environment: OECD, Environment and Energy Databases.

StatLink  <https://stat.link/n43xqa>

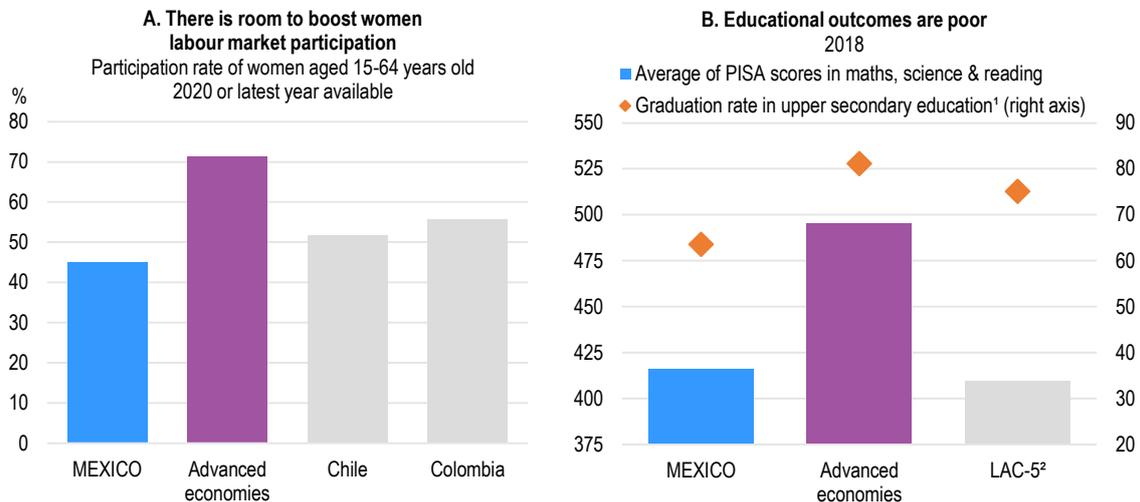
## Reinvigorating growth to provide opportunities across the population

The numerous informal workers have been hit hard by the COVID-19 pandemic. **A comprehensive strategy to fight informality** is required to make sure that the recovery brings formal jobs, which would help inclusiveness and to increase government revenues in the medium-term. Recent increases in minimum wages and planned increases in social security contributions may have the unintended effect of hindering formalisation and should be flanked by reductions in the cost and burden of formalising a business and simplifying tax and regulatory procedures. Protecting workers rather than jobs, by establishing an unemployment insurance system at the federal level, would also improve matching, helping workers to find formal jobs, and strengthen the social safety net and the resilience to shocks.

**Reducing barriers to entry and fostering competition** would help to boost investment. Ensuring the independence and adequate resourcing of competition authorities and specialised courts remains crucial for competition enforcement. Reducing red tape at local level would facilitate investment and job creation. Reducing barriers to foreign direct investment and trade in services, particularly in the areas that provide critical links in global value chains, such as in the banking sector, energy, transportation and logistics, would help to boost the export competitiveness of firms. Additionally, rolling out the centralised system for federal procurement and moving away from direct awards in public tenders would improve competition, efficiency of public spending and help combat corruption.

*De facto* conditions for doing business suffer from low institutional quality and a high level of impunity, which hinders investment and (formal) employment growth. **Strengthening the efficiency of the justice system and anti-corruption initiatives** is essential. Recent efforts should be followed up by boosting training and capacity-building within the criminal justice system, swift and effective implementation of the National Anticorruption Policy, strengthening the protection of whistle-blowers and broadening the anti-graft initiatives at the state level.

## Vulnerabilities and areas for reform



1. First-time graduation rate for students below the age of 25.

2. LAC-5 refer to Argentina, Brazil, Chile, Colombia and Peru. Graduation rate data are missing for Peru.

Source: Panel A: International Labour Organisation Database; Panel B: OECD, PISA and Education at a Glance Databases.

Women's participation in the labour market remains low, hampering growth and inclusiveness (Panel A), and the COVID-19 crisis has further deteriorated their labour market prospects. Expanding access to good quality and affordable childcare would offer a double dividend of **boosting the low participation of women in the labour market** and reducing educational inequalities. At the same time, refocusing spending to primary and secondary education and targeting it at poor neighbourhoods and disadvantaged students would help to **improve the weak education outcomes** (Panel B), revitalise productivity and improve equality of opportunities.

## Mexico: Summary of *Going for Growth* priorities and recommendations

2019-2020 Reforms	Recommendations
<b>Competition and regulation: Reduce barriers to competition</b>	
<input checked="" type="checkbox"/> A new trade agreement with Canada and the United States was ratified in 2020.	<input type="checkbox"/> Ensure the independence and adequate resourcing of competition authorities and specialised courts. <input type="checkbox"/> Reduce direct awards in public tenders and strengthen the use of the centralised system for federal procurement. <input type="checkbox"/> Continue to ease FDI restrictions in key downstream sectors, such as transport, logistics and banking. <input type="checkbox"/> Reduce red tape at the local level.
<b>Governance and legal system: Strengthen the efficiency of the justice system and anti-corruption initiatives</b>	
<input checked="" type="checkbox"/> An independent specialised anticorruption prosecutor was established in 2019. <input checked="" type="checkbox"/> Transparency requirements for public officials were enhanced in 2019. <input checked="" type="checkbox"/> Legal amendments to introduce comprehensive criminal liability of legal persons were made in 2019.	<input type="checkbox"/> Boost training and capacity building within the criminal justice system. <input type="checkbox"/> Pursue swift and effective implementation of the National Anticorruption Policy. <input type="checkbox"/> Broaden anti-corruption initiatives at state level. <input type="checkbox"/> Strengthen protection for whistle-blowers.
<b>Labour market: Reduce informality and strengthen the social safety net</b>	
<input checked="" type="checkbox"/> Specialised labour courts were created in 2020 to speed resolution of labour disputes.	<input type="checkbox"/> Simplify tax and regulatory systems to ease compliance costs. <input type="checkbox"/> Strengthen enforcement by redirecting more resources to labour inspectorates. <input type="checkbox"/> Establish an unemployment insurance system at the federal level.
<b>*Labour market: Boost female participation in the labour market*</b>	
*New priority *	<input type="checkbox"/> Expand access to good quality and affordable childcare. <input type="checkbox"/> Increase paid leave entitlements reserved to fathers. <input type="checkbox"/> Strengthen programmes to support more women to complete secondary education.

2019-2020 Reforms	Recommendations
<b>Education and skills: Boost education outcomes and equity</b>	
<input checked="" type="checkbox"/> A new scholarship and training programme for young people was launched in 2019.	<input type="checkbox"/> Continue improving school infrastructure and pedagogical material, particularly in disadvantaged schools. <input type="checkbox"/> Evaluate teachers' performance and guarantee that they receive adequate training. <input type="checkbox"/> Develop incentives to attract good teachers and school directors to disadvantaged schools. <input type="checkbox"/> Focus education spending on pre-primary, primary and secondary education and targeting it more towards poor neighbourhoods and disadvantaged student. <input type="checkbox"/> Continue to expand vocational training.

### Recent progress on structural reforms

The programme of the new government implied a change in priorities, resulting in ongoing reforms in some areas being modified and several programmes in key areas being replaced. This implied a greater focus during 2019-20 on reviewing existing programmes and designing new ones. The fight against corruption has received greater emphasis.