

## Chapter 5

# Administrative simplification and management of the stock of regulation in Mexico

*This chapter presents the actions on administrative simplification and management of the stock of regulation applied by Mexico in the recent years. International best practice has been adopted in the programme to reduce administrative burdens, through the adaptation of the Standard Cost Model. These actions have been complemented with other administrative simplification strategies which have been priorities of the Mexican government, including the Base Cero programme and the one-stop shop [tuempresa.gob.mx](http://tuempresa.gob.mx). The programme of simplification for regulation inside government has delivered significant results.*

## Introduction

Regulations and formalities are important tools used by governments to provide services and to carry out public policies in many areas. Administrative burdens have tended to grow in number and complexity, as governments need more information to implement their policies and target their regulations and instruments on more specific issues and populations. The growing use of formalities has become a major problem, known as administrative burdens. Formalities increase costs and multiply barriers for businesses through the time and money needed for compliance. This can, in addition, reduce regulatory certainty, a key parameter for businesses.

Administrative simplification is a regulatory quality tool to review and simplify administrative regulations: paperwork and formalities through which governments collect information and intervene in individual economic decisions. Administrative simplification has remained high on the agenda of most OECD countries over the last decade. With the complexity and dynamism of societies and economies creating a demand for new and revised regulations, the intricacy of the regulatory framework and the burden it presents for citizens, businesses and the public sector has become excessive.

While some OECD countries have a policy on how to manage the stock of legislation, it appears as a derivative of administrative simplification in most countries. By management of the stock of legislation we mean making the legislation more easily accessible. This includes electronic publication, consolidation and codification of legislative texts as well as the review of existing regulation to eliminate inconsistencies and duplications. These projects remain usually in the shadow of more attractive projects aiming at measuring administrative burdens.

## Reduction of administrative burdens

OECD countries have tried to promote economic growth through regulatory improvement. Better regulation is crucial in order to achieve growth and improve the competitive position of businesses. A central aspect of better regulation is minimising the administrative burdens that businesses and individuals have to endure in order to create and perform an economic activity. The reduction of administrative burdens releases economic resources previously invested in regulatory compliance, while making them available for more efficient uses. Administrative simplification has remained high on the agenda of most OECD countries over the last decade. With the complexity and dynamism of societies and economies creating a demand for new and revised regulations, the intricacy of the regulatory framework and the burden it presents for citizens, businesses and the public sector have become excessive (OECD, 2010d), increasing the importance of mechanisms that allow for the reduction of administrative burdens.

### **The Standard Cost Model as a tool for the measurement and reduction of the administrative burdens**

The Dutch Ministry of Finance developed the Standard Cost Model (SCM) as a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. The SCM is usually popular across the political spectrum as it aims at removing obligations that are not necessary, but it does not entail changing the policy objectives of regulations. This allows the model to be perceived as politically neutral. A key strength of the SCM is that it uses a high degree of detail in the measurement of the administrative costs, in particular going down to the level of individual activities.

The Standard Cost Model measures the consequences of administrative burdens for businesses. It provides a simplified, consistent method for estimating the administrative costs imposed on business by central government and provides estimates that are consistent across policy areas. The SCM can be applied to measure a single law, selected areas of legislation or to perform a baseline measurement of all regulation in a country at different levels. The SCM is also suitable for measuring the administrative consequences of a new legislative proposal as well as administrative simplification proposals (see Box 5.1).

#### **Box 5.1. The Standard Cost Model and administrative simplification**

The SCM methodology is an activity-based measurement of the businesses' administrative burdens, making it possible to follow the development of administrative burdens. At the same time, the results from the SCM measurements are directly applicable to governments' simplification work, as its outcome shows the specific regulation that is especially burdensome for businesses.

The SCM breaks down regulation into a range of manageable components that can be measured, while focusing on the administrative activities that must be undertaken in order to comply with regulation. SCM measurements highlight the existence of areas of regulation suitable for administrative burden reductions. Given the action-orientated nature of SCM results, it provides a crucial baseline and source of ideas for simplification opportunities.

The adoption of the SCM in the simplification process has several advantages:

- It draws attention to the specific parts of the legislation that are most burdensome for businesses' compliance as well as identifying the total costs of administrative burdens;
- A baseline measurement reveals where administrative costs occur in business processes, highlighting where the greatest effect of simplification can be achieved;
- The classification of the causes for the administrative burdens and the identification of which department/ministry is responsible for burdensome regulation allows to target the simplification efforts;
- The collected information enables to simulate how changes or amendments in the regulation may impact on the costs faced by stakeholders, and;
- The SCM may also stimulate the share of data between government agencies.

Source: SCM Network (2005), International Standard Cost Model manual. Available on [http://www.administrative-burdens.com/filesystem/2005/11/international\\_scm\\_manual\\_final\\_178.doc](http://www.administrative-burdens.com/filesystem/2005/11/international_scm_manual_final_178.doc), accessed on 6 February 2013.

The main factors for the success of SCM have been a sound methodology for mapping and measuring administrative burdens and the possibility to set up a quantitative target for reduction. This target enables the creation of a benchmark against which progress can be measured. Such benchmark provides countries with fresh ideas for reducing burdens.

The SCM is nowadays the most widely applied methodology for measuring administrative costs amongst OECD countries. The rapid spread in the use of the SCM was encouraged by the 2007 Action Programme of the European Commission. The Programme aimed at measuring the administrative costs arising from legislation in the EU and to reduce administrative burdens by 25% by 2012. The programme used a modified version of the SCM and consisted in a large-scale measurement of administrative burdens in 2007-08, followed by major simplification proposals aiming to reduce administrative burdens on businesses. The European Council endorsed the Action Programme in 2007 and all the member states of the EU have also adopted quantitative targets of administrative burden reduction.

The approach to administrative simplification changed after meeting the 25% reduction target and an updated Action Plan has been adopted by the EU, based on the recommendations of the joint review conducted by the OECD and the World Bank, with new targets (OECD, 2010d):

- Reduce administrative burdens by a further 25% by 2011, based on a largely new baseline measurement;
- Reduce compliance and supervisory costs;
- Lower the costs for companies in relation to subsidies;
- Improve the provision of information and services to businesses;
- Accelerate the procedure for granting permits;
- Broaden the programme to comprise burdens generated at local level.

In addition, new developments to measure and reduce administrative burdens have been performed by OECD countries, using the SCM as a base (see Box 5.2).

### ***The biennial programmes of Mexico as tools to reduce administrative burdens***

The aim of reducing the administrative burdens in Mexico dates back to 2001 with the creation of the biennial programmes, which set specific objectives to reduce and improve the regulatory framework. The biennial programs establish the obligation to carry out an improvement programme on the regulatory standards and formalities of ministries and decentralised agencies in Mexico.

The LFPA establishes that ministries and decentralised agencies of the federal public administration should submit to the COFEMER, at least every two years, an improvement programme on the regulatory standards and formalities they apply and submit the corresponding progress reports. This legal obligation takes the form of biennial programs.

The LFPA grants the COFEMER the power to establish and publish in the Official Journal of the Federation the guidelines to be followed for all the biennial programs, enhancing the mandatory character of their presentation by ministries and decentralised bodies. The biennial programs provide concrete actions for improvement in federal regulations, seeking to increase competitiveness and growth. The two-year period comprises a timeframe where the programs are officially initiated, developed, implemented, monitored and evaluated.

### **Box 5.2. International experiences in the use of the SCM to measure administrative burdens**

Denmark has used the SCM to measure administrative burdens, and committed to a reduction of 25% between 2001 and 2010; while recently developing two new projects to address irritants and to match its burden reduction policy more closely to real business needs.

Germany chose the SCM to measure the administrative costs resulting from information obligations included in federal legislation. The target was to reduce administrative costs by 25% between 2006 and the end of 2011 as one of the cornerstones of its Bureaucracy Reduction and Better Regulation programme.

Sweden announced a national net reduction target of 25% by 2010 of business administrative costs stemming from compliance with information obligations in legislation, as defined by application of the SCM for measuring administrative burdens.

Portugal set up the objective to reduce administrative burdens on businesses by 25% by 2012. The goal was applicable to all laws, decree laws and decrees of national origin, which have an impact on the life cycle of businesses. It is based on an adapted version of the SCM and its selective application to key legislative and administrative simplification measures. The adjusted SCM includes full compliance costs and covers burdens for citizens. It focuses on information obligations and integrates delays and waiting times to capture the effects of e-government initiatives.

Finland adopted in 2009 one of the most recent programmes aiming at reducing administrative burdens on business by 25% by 2012, among other measures, following a pilot SCM measurement of VAT legislation. The action plan focuses on eight priorities: taxation; statistics; agricultural subsidisation procedures; food safety and quality; employers' reporting obligations; financial reporting legislation; public procurement; and environmental permit procedures. The development of e-government services for businesses is a horizontal priority of the action plan.

Source: OECD (2010), *Cutting Red Tape: Why is Administrative Simplification so Complicated? Looking Beyond 2010*, OECD Publishing, Paris, doi: 9789264089754-en.

Despite the fact that the first biennial programme started in 2001, efforts to review and simplify the regulatory framework date from 1989. The first effort to review and propose reforms to the national regulatory framework was carried out in 1989. It intended to modernise the economy, raise levels of economic efficiency, increase the participation of private and social sectors and remove obstacles to free competition. President Carlos Salinas de Gortari issued an agreement under which it instructed the Ministry of Economy to review the regulatory framework of the national economic activity. Afterwards, in 1995, president Ernesto Zedillo issued an agreement that instructed the Economic Deregulation Unit (UDE) within the Ministry of Economy to coordinate a deregulation programme of those formalities related to the establishment and operation of business. This was the first reduction of the administrative burden in Mexico, as it resulted in a decrease of 45% of business formalities. In 2000, with the amendments to the LFPA, the systematic review of the national regulatory framework was institutionalised and mandatory. To date, five biennial programmes have been performed (see Box 5.3).

### **Box. 5.3. Milestones of the biennial programmes in Mexico**

#### **2001-03**

- The first biennial programme was put in place.
- 18 entities of the Mexican government presented programmes establishing the regulatory instruments to eliminate, modify or create. A total of 22 regulations were proposed for deletion, 182 for modification and 327 for creation.
- 447 technical standards were subject to the 5-year sunset review.
- Public entities completed the registration of procedures and services in the RFTS and updated the ones already registered, while eliminating the obsolete or unnecessary formalities.
- Ministries and decentralised bodies had to submit to the COFEMER their plans to simplify with at least 5 high-impact formalities.

#### **2003-05**

- 45 entities of the Mexican government presented programmes, which contained two main objectives:
  - Registration, elimination and simplification of formalities in the RFTS.
  - Creation, modification or abrogation of regulatory instruments.
- Regarding formalities, a validation of the information recorded in the RFTS took place, as well as an upgrade of the online RFTS tool, which included the identification of high-impact formalities.
- A total of 1 738 formalities and services representing 67% of the RFTS were validated.
- Plans were set to create 492 formalities and services, modify 741 and eliminate 116 formalities. In addition, 121 high-impact formalities were identified for simplification.
- Regarding technical standards, 408 were proposed for creation, 284 for modification and 70 for elimination, while 155 were subject to the 5-year sunset review.
- The section of the programme regarding creation of regulation was suspended as a result of the enactment of the agreement establishing a regulatory moratorium aiming at suspending the issuance of regulations with compliance costs.

#### **2005-06**

- Since the agreement establishing a regulatory moratorium was still in place, there were no proposals under the programme for the creation of regulation.
- The programme incorporated 36 specific actions on regulatory reform that could be carried out without the need to implement legislative changes.
- These 36 actions encompassed 11 priority areas: foreign trade, standardisation, health, finance, transport, telecommunications, energy, labour and social regulation, migration, social security, and regulatory improvement in states and municipalities.

#### **2007-08**

- No programmes were made.

#### **2009-10**

- 113 ministries and decentralised bodies presented biennial programs. They focused in 4 main areas:
  1. Plans to register, modify or eliminate formalities and services of the RFTS;
  2. Schedules to issue, reform or abrogate regulations which are submitted to the COFEMER for consideration;

**Box 5.3. Milestones of the biennial programmes in Mexico (cont.)**

3. Specific actions of regulatory improvement proposed by the COFEMER and, where appropriate, the schedule of the activities associated with these actions;
4. Specific actions for regulatory improvement proposed by the ministries and decentralised bodies, and the schedule of activities associated with these actions.

**2011-12**

- 49 biennial programs were presented for this period, comprising 1 898 improvement proposals.
- The main objective was to reduce by 25% the administrative burden and response times for permits and licences currently imposed on citizens and entrepreneurs.
- The programme focused in the regulatory governance cycle and followed the principles of focalisation, high-impact and straightforward implementation of the measures.
- Public consultation was broadly employed to identify the regulations, which imposed the highest burden, where the public sent 1 028 proposals.
- ICT tools were also largely employed as a computer system was used to quantify in detail the administrative burden of 4 649 formalities.

Source: Federal Commission for Regulatory Improvement of Mexico responses to OECD questionnaire, 2012.

As can be seen, an important improvement of the biennial programmes is that they are currently implementing the Standard Cost Model to measure administrative burden reductions, allowing regulators to emphasise the regulations and formalities that generate bigger reductions of the administrative burden and promote market efficiency.

**Adaptation and application of the SCM by the Mexican government**

The 2011-12 biennial programme sets as an objective a reduction of the administrative burden by 25%, in accordance with international best practices and experiences. The federal government expects a burden reduction of 1.4% in national GDP, which, according to COFEMER's estimations, can account for an additional 2.5% of Mexico's growth by 2025. The objective of this simplification target is to promote economic growth through short-term measures that would enable individuals and enterprises to spend less time and resources on formalities and paperwork arisen from the regulations in place, and instead, focus such efforts in increasing individual and businesses' productivity.

To establish a baseline, Mexico employed the SCM to map and measure the administrative burden, while setting a goal to achieve quantitative reduction in the future and setting a benchmark to compare and measure progress in the reduction of the administrative burden. The adoption and adaptation of the SCM by the Mexican federal government took place through the programme Strategy to Increase Productivity and Employment. It is a variation of the SCM as some modifications took place due to the availability of information and the objectives pursued. Nonetheless, it follows international standards of simplification and obtained similar results to those achieved by its international counterparts.

During the planning stage (from 2010 to May 2011), the federal government, through the COFEMER, conducted the quantification of the administrative burden of federal regulation. It chose to mainly focus on formalities, since they are explicit obligations for the delivery of information between citizens and the federal government and have an impact on companies, citizens and union, farming, religion or societal organisations. Given that Mexico already has the Federal Registry of Formalities and Services (RFTS), the complete registry, comprising 4649 formalities, was analysed.

To complete the exercise in an orderly manner, the registries were classified by user, allowing to determine the cost of the impact of business-oriented procedures and those with no business impact, comprising the formalities carried out by citizens, trade unions, farmers, as well as religious and civil society. The next stage was to develop the measurement of the administrative burden and to create an accounting model for that purpose. In this case, the COFEMER based its analysis on the SCM to calculate the administrative burden. Once each of the formalities were analysed and evaluated by the methodology of the SCM, a virtual simulator was designed to internalise the variables and parameters that allowed determining the aggregate measure of the total economic cost of regulation. As a first step, the administrative burden was estimated, as was the opportunity cost for each formality, obtaining the economic cost for each of them. Subsequently, the frequency with which each formality is performed during the year was identified, multiplied by its economic cost and the total aggregate economic cost was determined (see Box 5.4).

The Mexican Model is similar to the SCM except that the time variable does not depend solely on the time of compliance, but also on the number of requirements per procedure and the distribution of the time each of the staff types has to devote to comply with the regulation. As a result of the process, it was found that the administrative burden amounts to 4.8% of the GDP, similar to the cost faced by some countries, such as Spain, Italy and Portugal, which have applied the SCM. It was also concluded that 66% of that cost is concentrated in 11% of the formalities registered in the RFTS and, if the goal to reduce the administrative burden by 25% were achieved, it would represent the release of 1.2% of the GDP worth in resources for companies, which is a level of benefit similar to the average estimated internationally.

## Other administrative simplification strategies

### ***The Federal Registry of Formalities and Services***

The Federal Registry of Formalities and Services (RFTS) is a public online catalogue established by the LFPA, which the COFEMER manages. It is comprised of a catalogue which includes all the formalities and services provided by the federal government. The RFTS streamlines, updates and maintains publicly available all formalities and services that are carried out by the federal government. The registration of formalities in the RFTS is mandatory for all the federal governmental entities, which is a prerequisite for the formalities to be legally enforceable.

The RFTS is constantly updated, as government entities are obliged to notify the COFEMER of any changes in the formalities that they are bound to apply, including elimination, addition, or modification of formalities.



#### **Box 5.4. Methodology of the Mexican Cost Model to calculate the administrative burden**

An adapted version of the SCM was used to calculate the administrative burden of formalities in Mexico. Firstly, the formalities were classified by life cycle (start-up, operation, closing), agency and administrative unit involved in the procedure and subsector of economic impact.

In addition, 450 surveys were applied to businessmen, citizens, as well as agricultural, consumer and civil society organisations to gather information while mapping every procedure and classifying them as new or pre-existing. Based on the mapping and on the surveys, the time spent in complying with each regulation is estimated before the regulation is changed, as well as after it has been done. The proportion of time spent by each type of staff (secretaries, technicians, directors, professionals) was also determined.

To calculate the cost, a series of variables were analysed. First, the complexity of complying with the regulation was estimated, according to the number of requirements, the number of work hours invested for complying, and the distribution of time used to comply with the regulation, divided between the different types of staff.

Then, the Estimated Unit Cost (a function of the complexity of compliance), the Total Time Spent per Activity (before and after the simplification) and the Total Cost Per Activity are calculated. The later is determined by multiplying the Total Time Spent Per Activity (before the simplification) by the weighted salary (the weights depend on the distribution of time used to comply with the regulation divided among the different types of staff).

Afterwards, the Administrative Cost Per Company was calculated by adding all the Total Cost per Activity for all the activities and all the procedures. This variable was then multiplied by the number of times each procedure is used or fulfilled in a year to determine the Aggregated Administrative Cost, amounting to the Total Economic Cost except for the start up stage of the life cycle of a company.

To determine the Total Economic Cost except for the start up stage of a company, another methodology was applied. To calculate the Opportunity Cost, the benefits by subsector where the regulation has influence were multiplied by the days the authority takes to make a decision (in all the procedures involved in the start-up). The Aggregated Opportunity Cost was estimated by adding all the Opportunity Costs of the subsectors and thus the calculation of the Total Economic Cost was made by adding the Aggregated Administrative Cost and the Aggregated Opportunity Cost, while the Total Economic Benefit was determined by subtracting the Total Economic Cost after the Simplification of the Total Economic Cost before the Simplification.

Source: Federal Commission for Regulatory Improvement of Mexico responses to OECD questionnaire, 2012.

#### **Regulatory reform programme Base Cero**

In 2009, the Mexican government promulgated the Decalogue for the “deep transformation” of Mexico, promising “to undertake in the government a deep regulatory reform that allows establishing a zero-basis regulation that facilitates citizens’ life”. Following up on this, on January 12-13, 2010, the Mexican Ministry of Economy and the OECD organised a forum on Regulatory Reform, under the name Strengthening Competitiveness in Mexico, which

gathered experts on regulation and competitiveness in order to discuss the regulatory barriers across the life cycle of a business, as well as ways on which the government could help Mexican states to improve their competitiveness, and sought to reform regulations and laws that could lift productivity gains and improve competition. During this forum, the Mexican president Felipe Calderón announced a general regulatory review to be conducted by the federal government to eliminate unnecessary burdens and simplify the interactions between the government, citizens and businesses with the purpose of promoting a sustained economic growth. The strategy was called the regulatory reform programme *Base Cero*.

In the *Base Cero* programme the Ministry of Public Administration led efforts to evaluate all regulation impacting on the operation and development of activities within the federal public administration —regulation inside government (RIG, see below)—, and the Ministry of Economy worked with the regulations of greatest impact on businesses operation—regulation applied to businesses and citizens (RABC).

In short, the strategy was intended to cover three main objectives:

- to foster regulation that would increase competitiveness and promote growth and economic development;
- to eliminate unnecessary transaction costs and market distortions generated by over-regulation; and
- to facilitate citizens' and businesses' interaction with the government.

With these objectives, the government of Mexico expected the strategy to have an economic, substantive and administrative impact: the “economic” through the reduction and improvement of economic regulation that would in turn promote competitiveness; the “substantive” by reducing and simplifying the normative framework to facilitate the interaction and presentation of formalities and services to citizens; and, finally, the “administrative” by reducing and simplifying the regulation inside the government in order to efficiently apply and make the most of resources and technical procedures of the federal public administration. On this last point, the government pointed out that savings (resources) would be specifically applied to priority tasks for the country's growth and social development.

In March 2010 the Ministry of Economy finished the first stage of the *Base Cero* programme, in which it had identified the most burdensome regulation for economic activity. With the help of the COFEMER, it set out to review this regulation in order to find simplification opportunities. As a result, in August 2010 the president of Mexico announced 12 regulatory reform measures (see Box 5.5). Using a modified version of the Standard Cost Model, the Mexican government announced that these measures amounted to around MXP 20 billion in savings for businesses and citizens.

### ***The one-stop shop for business start-up [tuempresa.gob.mx](http://tuempresa.gob.mx)***

The establishment of a one-stop shop, whether physical or electronic, is a popular administrative simplification strategy across OECD countries. One-stop shops usually supply a high variety of services ranging from the provision of information about the business environment and its requirements, to licensing and issuing permits to enter specific business activities. One-stop shops can also provide other services on behalf of entrepreneurs from other public authorities. In a perfect situation, there is only a “single window” to contact in order to access all services entrepreneurs might apply for business licenses and permits (OECD, 2010d).

**Box 5.5. Twelve regulatory reform measures announced on August 17, 2010 by the federal government of Mexico, as part of the Base Cero programme**

1. Facilitate Mexican exports to Europe and Latin America.
2. Simplifying and streamlining the filing and resolution of complaints for users of electricity. Incorporation of the Federal Electricity Commission to the Consumer Complaint Settlement System CONCILIANET.
3. Simplification of procedures to receive and record foreign investment through automation in the presentation of information to the National Registry of Foreign Investments.
4. Expand services offered through the electronic portal *tuempresa.gob.mx*
5. Promote equipping SMEs and access to electronic products.
6. Automate the process for obtaining Health Registry.
7. Promoting the marketing of last-generation medical devices in Mexico.
8. Promote access of families to health by providing them with a greater supply of medications.
9. Establish a direct interconnection between the tax administration system and COFEPRIS for real-time transmission of sanitary import permits.
10. Boosting productivity in agriculture, facilitating the transfer of its products nationwide and automating the issuance of Phytosanitary Certificate and National Mobilization Animal Health.
11. Generate savings to farmers by automating the registry for Consumer Products and Animal Use.
12. Support the productivity of Mexican firms and household income, by also deregulating the process of importing meat, grains, oilseeds and other agricultural products.

Source: Federal Ministry of Mexico responses to OECD questionnaire, 2012.

Tuempresa is an online one-stop shop under the responsibility of the Vice-ministry for Competitiveness and Business Regulation of the Ministry of Economy, that allows entrepreneurs to comply with the federal formalities needed to legally constitute a business entity in a simplified and streamlined manner. Once all the required information has been collected, entrepreneurs fill an online questionnaire, make online payments, and have to visit a notary or an authorised commercial broker. The whole process can take just a few hours. The OECD calculated that Tuempresa reduces administrative burdens in the process to create a legal business entity by 65%. The portal *tuempresa.gob.mx* was launched by president of Mexico Felipe Calderón on 4 August 2009.

With the creation of Tuempresa, the aim of the Mexican federal government was to simplify the process for starting a business as a whole. The rationale behind such an approach was that the government must place the citizen at the centre of the regulatory process. This approach implies that the needs of citizens and businesses should dictate the regulation, not the other way around. Under this view, an entrepreneur is not interested in getting an authorization for the name of the company, or enrolling in the tax payroll. The objective of the entrepreneur is to start a business, offer goods or services to the market and make profits. It is the government who establishes the obligation for the entrepreneur to meet all the specified formalities and requirements.

The objective of Tuempresa is to simplify federal procedures so that entrepreneurs who wish to start a business do not have to go to many different government agencies and line up in various offices. Tuempresa offers an electronic portal in which entrepreneurs need to submit information only once and visit a notary or commercial broker in order to create and register a business entity. Prior to the instrumentation of the portal, entrepreneurs needed to visit different government offices, fill several forms and questionnaires providing the same information several times, wait in line to submit information, and wait several hours or days to receive an official response. Box 5.6 includes information on these formalities and the number of visits needed.

**Box 5.6. Formalities needed to create a legal business entity  
in Mexico before Tuempresa\***

**Approval of the name of the company with the Ministry of Foreign Affairs.** At least three visits to the public office are needed: one to collect the form to be filled, one to submit it with three proposals of names, and one to collect the official response. Response times range between 1 and 2 working days. If none of the three proposed names are available, a new submission needs to be done. For each submission of information, a payment needs to be made in the bank.

**Creation and signing of the business deed before a notary or an authorised commercial broker (corredor público).** The notary and commercial broker provide legal advice to entrepreneurs on the type of legal form that the business can take; for instance, a limited company or an incorporated company. Their main function is to prepare the business deed that legally creates the company in accordance with the regulatory framework, and to verify the identity of the business partners. Generally, entrepreneurs visit the office of the notary or commercial broker twice.

**Registration of the company deed in the Registry of Public Commerce.** This procedure is carried out by the notary or commercial broker, by using an electronic system called Fedanet. They need to fill online forms and make an online payment. The system is managed by the federal Ministry of Economy in co-ordination with the 32 Mexican states.

**Notification of the use of the name of the company with the Ministry of Foreign Affairs.** Once steps number one and two have been finalised, entrepreneurs need to submit a notification informing the Ministry of Foreign Affairs that the name of the company that was initially authorised will actually be employed. At least one visit is needed to the Ministry of Foreign Affairs, and a payment needs to be made in the bank.

**Registration as taxpayer with the tax collecting authority.** This is also a procedure carried out by the notary or commercial broker. They submit information via an electronic system provided by the tax authority.

\* Prior to [tuempresa.gob.mx](http://tuempresa.gob.mx), these were the only option available.  
Source: Federal Ministry of Mexico responses to OECD questionnaire, 2012.

There are two main steps involved in establishing a company through Tuempresa:

1. Use of the online website, which includes:
  - Registration,

- Choice of name or denomination;
  - Provision of information to create the company;
  - Payment of the corresponding federal fees;
  - Choice of a notary public or authorised commercial broker;
  - Visit to the notary or authorised commercial broker to get the business deed and register with the tax authority.
2. After finalizing the process at *tuempresa.gob.mx* and meeting with the notary or authorised commercial broker, the entrepreneur obtains the following documents:
- Business deed;
  - Authorization to use the name or denomination;
  - Document confirming that the notification of the authorization to use the name or denomination has been sent;
  - Registration of the deed in the corresponding Public Register of Commerce;
  - Registration with the Federal Register of Taxpayers;

The main features of the portal are the interconnection of: (i) 10 federal agencies with 12 federal procedures and one local agency with one procedure; (ii) more than one thousand public and commerce notaries; and (iii) public offices in 30 out of the 32 states, which allow the constitution of an enterprise through the portal. The only two remaining states (Baja California Sur and Tamaulipas) are currently under negotiations with the Ministry of Economy to take part in the programme.

In its current form Tuempresa allows creating the business deed of only two types of legal companies: incorporated companies (*sociedades anónimas*) and limited companies (*sociedades de responsabilidad limitada*). Together with sole proprietors (*personas físicas*), incorporated companies and limited companies are the most common forms of legal business entities (Secretaría de Economía y OCDE, 2009). However, the most common legal business entity in Mexico is sole proprietorship,<sup>1</sup> but in order to create this type of company, only registration with the tax authority is needed: a relatively simple procedure. Nevertheless, following OECD recommendations, the Ministry of Economy is considering including in Tuempresa the option of creating a company as a sole proprietor.

At the end of 2011, the portal had accomplished:

- 42 316 registered users;
- 1 477 Notaries Public and Public Brokers were enabled;
- 39 144 business name licenses were requested;
- 7 910 business name licenses were paid;
- 4 355 companies were registered with the Public Registry of Commerce;
- More than 77 045 interactions with legal effects between citizens and public officers took place, with estimated savings over \$90 861 227.60 USD.

Mexico has set very ambitious outcomes for the programmes *tuempresa.gob.mx*, and the single window for foreign trade (see below), as they are expected to contribute to an increase in economic activity through a boost in the number of business start-ups and by an increase in the import and export activity, and in this way help to achieve an increase in competition, efficiency, and productivity.

### **Box 5.7. Services available at the portal [tuempresa.gob.mx](http://tuempresa.gob.mx)**

In addition to the documents the entrepreneur obtains from Tuempresa, described above, the current version allows for:

- Quick search of company names previously authorised by the Ministry of Economy or the Ministry of Foreign Affairs\*
- Validation of certifications and authorisations
- Modification of the chosen legal regime, or of the notary public selected to formalise the creation or modification of the company

Once the company has been created, the legal representative of the enterprise or the notary public may request the following services:

- Appointment to request the enrolment in the insurance for high-risk work in the Mexican Social Security Institute
- Presentation of training programs to the Ministry of Labour and Social Welfare
- Declaration of opening of commercial establishments before the government of the Federal District
- Application for trademark registration with the Mexican Institute of Industrial Property
- Application for supply of electricity to the Federal Electricity Commission
- Register as “hazardous waste generator” with the Ministry of the Environment and Natural Resources
- Notice of functioning and sanitary responsibility before the Federal Commission for Sanitary Risks Protection
- Permit for wastewater discharge before the National Water Commission (CNA)
- Obtaining the distinctive “Made in Mexico” along with the benefits and use of the mark

\* A legal reform by Mexico’s Congress on December 15, 2011, stipulates that the Ministry of Economy is now in charge of authorising the name of the company.

Source: adapted from the website of the Federal Ministry of Economy of Mexico, Tu Empresa, [tuempresa.gob.mx](http://tuempresa.gob.mx), accessed 13 February 2013.

For this reason, since its creation Tuempresa has been subject to continuous improvements. In accordance with these objectives, as of September 2012 the Ministry of Economy has made available the version 2.0 of the portal, which includes new features such as the incorporation of new procedures and services for the authorization to use designations for commercial and civil companies and for associations of civil nature, requests for permission to use or modify designations, among others (see Box 5.7). These new features operate online via Internet in real time and through the employment of the advanced electronic signature issued by the Tax Administration Service (SAT).

The new version of the portal also comprises an interactive section of basic legal information and guidance that allows the entrepreneurs’ understanding of the available options to open a business. It offers information on legal matters regarding commerce, taxation, labour and industrial property, as well as relevant issues related to planning and financing of business.

After the recent reform to the Federal Law on Duties (Ley Federal de Derechos), from January 2012 the payment of federal duties for the constitution of a company were eliminated and no payment is requested during the online procedure at the portal. Nonetheless, the payment of the fees of the notary public is still requested and may be variable as it is not a standardised fee. Subsequently, the notary public will register the company with the Public Registry of Commerce and make the corresponding payment of fees to the office of the Public Registry of Commerce.

For 2013, the goal of the Mexican federal government is consolidation of the portal through an increase in usage by notaries, and the incorporation of formalities at state and municipal level. The latter is envisaged as a daunting task given that Mexico has 31 states, one federal district and more than 2 000 municipalities, all of them with independence to set and apply their own regulation for business creation.

### **Single Window for Foreign Trade**

The Single Window for Foreign Trade allows businesses performing import or export activities to request the necessary licenses and permits and submit the corresponding information obligations in a single place while dealing with just one authority.

The Tax Administration Service (SAT), through the Customs General Administration, designed and implemented, in conjunction with other units of the federal public administration involved in foreign trade, the “Mexican Single Window for Foreign Trade” (*Ventanilla Única de Comercio Exterior Mexicana, VUCEM*), launched in January 2012. The VUCEM is a tool that enables the delivery of standardised information to a single entity for compliance with all the requirements related to import, export and transit. For this purpose, the Tax Administration Service implemented the use of electronic documents and signatures, rendering customs clearance 100% paperless, resulting in better controls, procedures optimization, and easier documentation location, space-saving and eco-friendly procedures.

The main features of the VUCEM are:

- Deregulation and re-engineering of formalities
- Paperwork and payments under a single website
- A single system for government agencies and customs formalities
- Connectivity with private agents and commercial partners
- Use of the Advanced Electronic Signature (FIEL)

**Table 5.1. Implemented actions and achievements of the Single Window for Foreign Trade**

<b>Actions taken</b>	<b>Reductions</b>	
Number of formalities	from 54 to 22	60%
Registered data	from 770 to 435	44%
Deadline for response	from 15-20 to 1-5 days	
Requirements	from 104 to 61	41%

Source: Ministry of Economy of Mexico responses to OECD questionnaire, 2012.

The VUCEM allows sending electronic information only once, to a single entity, to meet all requirements of foreign trade. This is possible through the simplification, standardisation and automation of management processes. The VUCEM aims to accelerate and simplify information flows between trade and the government while providing significant benefits to all parties involved in cross-border trade. A governing body centrally manages the VUCEM, allowing government agencies to receive or have access to information relevant to meet their purpose (see Box 5.8). In turn, authorities and agencies involved must perform their own controls and coordinate amongst themselves. Thanks to these co-ordination mechanisms, traders can file electronic data to the various authorities to be processed and approved in a single application and, in some cases, the VUCEM must also provide means for the payment of royalties, taxes and fees.

The federal government overcame some technical factors affecting the implementation of the VUCEM, yet some political challenges remain. After the VUCEM was launched, some technical factors affected its implementation. As a response, the Mexican government carried out the following actions: (i) the provision of 450 mobile devices to verifiers of the 49 Customs Offices with its corresponding training, (ii) the implementation of wireless connectivity services using radio frequency technology in the 49 Customs Offices, (iii) the employment of technological tools and existing databases, such as the Electronic Signature, Taxpayer Identification (IDC) and RENAPO (National Registry and Personal Identification), and (iv) the implementation of procedures necessary for foreign trade transaction using BPM tools allowing for proper management and transparency.

Amongst the political challenges faced by the VUCEM, the issue remains of the co-ordination among the 10 government departments that participate in the approval, simplification, and streamlining of procedures, data and requirements, in order to reduce costs and time on the preparation of documents required for foreign trade operations (licenses, permits and certificates that have to do with the import, export and transit of goods).

#### **Box 5.8. Authorities of the federal public administration involved in foreign trade**

- General Administration of Customs (AGA) within the Tax Administration Service;
- Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA);
- Ministry of Health (SALUD);
- Tax Administration Service (SAT);
- Ministry of Economy (SE);
- Ministry of National Defence (SEDENA);
- Ministry of the Environment and Natural Resources (SEMARNAT);
- Ministry of Energy (SENER);
- Ministry of Education (SEP);
- Ministry of Finance and Public Credit (SHCP), and
- Ministry of Public Administration (SFP)

Source: adapted from the website of the Federal Government of Mexico, Ventanilla Única, [www.ventanillaunica.gob.mx/vucem/index.htm](http://www.ventanillaunica.gob.mx/vucem/index.htm), accessed 15 February 2013.



The first shipment of goods under the Single Window for Foreign Trade was held in January 2012 at the office of Lázaro Cardenas, Michoacán, and since then a strong impetus has been given to promote the use of this tool with the goal of increasing Mexico's competitiveness.

Aiming at further enhancing the utilisation of VUCEM, as of June 2012, the use of the single window is mandatory for all users of foreign trade in all custom houses in the country. From the launch of VUCEM in October 2011 until May 2012, the Mexican government had documented the following accomplishments:

- Performance of over 130 000 transactions, representing more than 100 000 containers;
- Registry of more than 49 000 users, from a universe of about 60 000 (over 80% of the total);
- Almost 260 000 electronic value vouchers have been registered, whereas up to 22 000 invoices are daily processed saving around 400 trees a year;
- Digitalisation of more than 108 000 documents.

The VUCEM benefits approximately 30 involved sectors, comprising government offices, exporters, importers, carriers and auxiliary customs agents. With the VUCEM, the time to carry out formalities is reduced by more than 90% and the time of customs clearance decreases by more than 10%, thus allowing carriers to increase their efficiency through the streamlining of freight clearance processes.

### **The SARE-System for Quick Business Start-up**

In recent years, there has been a growing interest in promoting policies that would benefit the micro, small and medium-sized enterprises (SMEs), as they account for 99% of the formal enterprises in Mexico, they create 72% of formal employment and generate 52% of Mexico's GDP. Consequently, streamlining the process of creation of businesses has a decisive importance for the Mexican economy.

Since 2002, the COFEMER has promoted the adoption of the System for Quick Business Start-Up (SARE) in the Mexican states and municipalities. SARE is a federal government programme for regulatory simplification, process re-engineering, and administrative modernisation of the state and municipal formalities involved in the establishment and start-up of businesses. The purpose of the SARE is to reduce permanently the time and cost of doing business in Mexico, particularly in regard to the start-up of low-risk businesses. The SARE is mainly targeted to micro, small and medium-sized enterprises (SMEs) which do not involve any risk to health or the environment, aiming for their establishment and opening in a period not exceeding 72 hours.

The SARE programme has the following main features: (i) it is a single "one-stop shop" encompassing the formalities demanded by the three levels of government to open a business, allowing entrepreneurs "to make the first sale";<sup>2</sup> (ii) it identifies the degree of risk by economic activity, deregulating to the utmost enterprises with low or zero risk; (iii) it develops a single application form and submission of a cost-benefit analysis to the formalities required in the process; (iv) it establishes that the whole process for obtaining the licences and permits from the three levels of government must take a maximum of 72 hours for zero- or low-risk businesses; (v) it carries out reforms to the regulations and municipal operations in order to achieve the formal establishment of SARE; and (vi) it performs verifications after the resolution of the formalities involved in the start-up of business.

The SARE has facilitated the entrance of new competitors in the markets, lowering entry costs and regulatory requirements. The current coverage of the SARE in Mexico comprises municipalities representing 46% of the national population and 56% of the GDP. Up to October 2011, 189 SARE had been implemented, leading to the establishment of 264 489 businesses and creating 701 157 jobs, while generating an investment of \$42 441 million pesos.

In 2011, the COFEMER assessed the impact of the SARE in the creation of new businesses and jobs in the formal economy of representative municipalities from five states. The number of entrepreneurs in the sectors included in the SARE catalogues increased in every state after a trimester of implementation: 27.4% in the representative case of Chiapas, 11.6% in that of Colima, 23.6% in that of Hidalgo, 14.3% in that of Morelos, and 29.9% in that of Puebla.

In addition, the SARE programme has managed to significantly reduce response times regarding the issue of licenses for municipal operation. In the 20 SARE implemented in 2010, the average number of visits to local agencies needed to complete the procedures for starting a business went from 3.2 to 1, while the average number of days for starting up a business went from 32 to just 2. Similarly, during 2011, 19 SARE modules were installed, where the average number of visits also decreased from 3.2 to 1 and the average number of days to start a business fell from 21 to just 2.

## Regulation inside government

In 2009 and 2010, in the framework of the programme Base Cero, the Ministry of Public Administration led an exercise to review the stock of regulations inside government. Two important action lines in this strategy were:

- to eliminate unnecessary and excessive procedures and services, thus promoting the reduction of requirements, as well as the use of information and communication technologies.
- to eliminate the rules which are not fully justified.

To comply with the second action line, the Mexican government developed nine administrative handbooks of general application in the federal public administration, dealing with acquisitions, public works, human resources (HR), financial resources (FR), material resources (MR), information and communication technologies, transparency, auditing, and control. The goal is to eliminate internal administrative regulations, which will simplify and standardise the operation of federal government institutions and implement mechanisms to eliminate all rules that hinder efficient service delivery. By the end of 2012, these actions resulted in the elimination of about 70% of the internal regulatory instruments.

The handbooks aim to provide a standardised and unique framework to guide the actions of public officials in each subject area. By eliminating duplicative and overlapping rules, and establishing a clear and unique internal regulatory framework, these programmes seek to minimise the use of resources for internal government activities while increasing the quality of public goods and services, as well as the effectiveness of federal public administration agencies (see Box 5.9).

The revision of the internal regulation, and the elaboration of the handbooks, comprised a wide-ranging effort involving many entities of the federal government. Approximately 404 officials from 64 institutions, particularly the main administrative offices of the federal public administration and the units for review and control of the Ministry of Public Administration, were directly engaged in the process. Additionally, consultation with 147 leader agencies of the federal public administration was carried out in order to receive

comments and contributions on the first drafts of the handbooks from public officials responsible for operating the administrative processes in the matters regulated by each handbook. In the nine handbooks, a total of 17 759 comments were addressed; 51.24% were on technical-administrative issues, 22.47% on legal-normative, and 29.29% on edition.

The programme *Base Cero*, on its strand of regulation inside government, which comprised the publication of the nine handbooks, reported the following key results:

- Significant reduction of government’s internal rules (70%): removal of rules that were obsolete, overlapped, and added no value to government services;
- Simplification of procedures through their standardization: redesigning of administrative procedures based on best practices;
- Increased efficiency in administrative procedures: it allowed the generation of performance standards and integrated internal procedures within the entire federal public administration;
- Better internal management of institutions; that is to say, a better use of institutional resources and a reduction in costs associated with operational deficiencies. According to the Mexican federal government, around 60 billion Mexican pesos are calculated to be saved through efficiency measures derived from the application of the handbooks.

Following OECD recommendations aimed at minimising the flow of new regulation inside government, the “presidential agreement instructing agencies and entities as well as the Office of the Mexican Attorney General, to refrain from issuing regulations on the matters indicated” was issued on August 10th 2010. The agreement establishes provisions that control the flow of new regulations: first, it prohibits the issuance of new rules on matters already contained in the new handbooks; and, second, it establishes clear exceptions to issue new rules.

## Key findings and policy options

### ***Consolidate and advance the policy of reducing the cost of regulation***

Mexico has recently embarked in a programme of reduction of administrative burdens using an adaptation of the Standard Cost Model (SCM). The challenge is to consolidate this policy and strengthen it with complementary policies on the reduction of broader regulatory costs.

Mexico is rapidly catching up with other countries in terms of adopting the SCM, and has the possibility of learning from this experience. The programmes for regulatory improvement that line ministries must submit to the COFEMER as part of their better regulation obligations every two years are well entrenched in the regulatory policy culture of Mexico. Mexico should continue using this well rooted tool so as to establish the programme of measurement of administrative burdens using the adapted SCM methodology and the reduction of these burdens as a permanent feature. Special focus should be given to the implementation of simplification actions and, if possible, to the evaluation of their impact. Additionally, co-ordination between the COFEMER and the Ministry of Public Administration (whose functions have been transferred to the Ministry of Finance), which resulted in the incorporation of programmes for regulatory improvement as part of the commitments of line ministries to the Special Programme for Management Improvement in the APF, must continue. This will make permanent the benefits that derive from having the Ministry of Public Administration enforcing the implementation of the regulatory improvement promises of line ministries with the threat of legal sanctions if they are not met. Mexico should consider extending this

### **Box 5.9. Objectives of the administrative handbooks of general application**

#### **Acquisitions handbook**

- More agile and timely payment to providers.
- Homogeneous formats in all governmental agencies.
- Electronic transactions.
- Simplification of purchase processes through mechanisms such as framework contracts, electronic tenders and reverse auctions through the new Compranet, the electronic system for government procurement.
- Simplification of government procurement processes, payment to providers through unique forms and acceptance of electronic invoices.

#### **Auditing handbook**

- Auditors will be able to plan, programme and perform audits in the most efficient way, and will be able to focus on identifying, preventing and fighting serious corruption cases.

#### **Internal control handbook**

- Agencies will be able to identify the conditions that inhibit the accomplishment of their goals and objectives, and determine how to overcome them to fulfil their tasks and functions to benefit citizens.

#### **Public works handbook**

- Homogeneous formats and more transparent tender processes.
- Timely assignation of projects and their execution and conclusion.
- Monitoring physical progress of works through the electronic log in order to assure timely and quality work.
- Timely application of the budget to infrastructure.
- Triggers public investment and, consequently, development and growth in the country.

#### **Financial resources handbook**

- Establishes measures to rationalise, control and allocate public expenditure.
- Provides appropriate information about the budgeting exercise.
- Standardises financial and expenditure processes, encouraging transparency and accountability in the use of public resources.

#### **Human resources handbook**

- Reduces administrative human resources costs.
- Allows re-allocation of resources that, in the past, were lost in the administrative process, towards better service delivery to citizens.
- Guides the selection, hiring, training, evaluation and motivation of public officials to satisfy the needs of citizens and to fulfil agency objectives.

#### **Material resources handbook**

- Makes better use of the resources of the federal public administration in order to increase the effectiveness of public agencies.
- Eases the reduction of maintenance, storage and lease costs in equipment and real estate.

#### **Information and communication technologies handbook**

- Generates resource savings for citizens, businesses and the state by supplying automated digital services, formalities and processes.

**Box 5.9. Objectives of the administrative handbooks  
of general application (cont.)**

- Increases the effectiveness of public agencies by improving the government’s digital maturity.
- Encourages governmental transparency.

**Transparency handbook**

- Encourages transparency by providing socially useful and focused information.
- Strengthens accountability, fights corruption and diminishes opacity.
- Facilitates citizens’ access to governmental public information.

Source: Secretaría de la Función Pública (2010), *Menos reglas, Mejores resultados*, Gobierno Federal de México.

type of mechanism to other areas of the better regulation policy, such as in the registration of formalities in the Federal Registry of Formalities and Services, and in the compliance with consultation obligations.

Consistent with one of the latest OECD recommendations in that quantification of burdens should be used cautiously, with the concept of efficiency in mind, Mexico invested reasonable resources in producing a baseline measurement of administrative burdens. Mexico embarked in the collection of data from around 400 interviews, and using a combination of statistical and mathematical techniques, and internal assessments, extrapolated the data to estimate the burdens. Nevertheless, Mexico should consider strengthening these measurements via more interviews, or expert opinions through panels. Mexico might consider these approaches only to a core of the most burdensome formalities or key economic processes. See Box 5.10 for relevant international experiences. Finally, Mexico should consider measuring other costs of the regulation, such as substantive compliance costs. Qualitative techniques could be employed to identify other sources of irritation for businesses and citizens, which might not be correlated with the amount of administrative burdens.

**Ensure the effectiveness of administrative simplification strategies**

Mexico should aspire to ensure the effectiveness of administrative simplification strategies, in order to guarantee that they deliver on their promises. This could be achieved by incorporating evaluation methods early in their process of development and by integrating them on the broader regulatory policies. Over the past few years Mexico has implemented several high profile administrative simplification strategies: the online one-stop shop for business opening *tuempresa.gob.mx*, the one-stop service for foreign trade, and the programme to review the stock of regulation *Base Cero*. Mexico has placed these simplification strategies high on the priorities for regulatory improvement policies. Yet, Mexico should consider taking steps to ensure their effectiveness in terms of delivering the expected outcomes. For instance, the rate of usage of *tuempresa.gob.mx* can be increased significantly.

### Box 5.10. Focalised reduction of regulatory costs in the Netherlands and Denmark

Denmark and the Netherlands have embarked in the simplification of regulatory costs on a clearly defined set of formalities, information obligations or regulations. The definition of these sets follows specific priorities in terms of achieving certain economic or social objectives, such as ensuring that the reduction of regulatory costs are felt by businesses or citizens. This view contrasts with the one in which a wide baseline measurement of administrative burdens is carried out. Moreover, the objective of these exercises has been to reduce other kinds of regulatory costs, not only administrative burdens.

In Denmark, the following measures have been taken in order to reduce the costs of specific regulations:

- *Burden Hunters Project*. It is a cross-ministerial project that focuses on administrative burden reduction experienced by SMEs, taking into account other factors besides administrative cost and time invested by the entrepreneur. In this exercise, officers from the Danish Commerce and Companies Agency (DCCA) and experts visited companies to gather evidence through interviews and observations of the practices of the enterprise, their relationship with public authorities, and the challenges and experiences connected with business regulations that they were experiencing.
- *Ten Business Flows*. The programme identifies the ten processes where all enterprises interact inefficiently with the government and finds how these processes can be optimised to benefit them. This simplification can be done through digitalisation, reusing data, strengthening of the communication channels between public and private sectors, etcetera.
- *De-bureaucratization programme*. Its main objective is to simplify rules, requirements and procedures that place unnecessary burdens on local and central governments and on public service employees, as well as documenting the results and effects of regulation.

In the Netherlands, the following focalised cost reduction programmes have come into effect:

- *Top Ten Bottlenecks*. This programme identifies the ten most irritating burdens and interactions between government and citizens, and makes recommendations on how to improve the experience.
- *Life Analysis*. It consists in the mapping of the nine possible routes that a citizen may take throughout his life in respect of bureaucratic procedures, viewed from the perspective of the citizen. The areas that stood out were paying taxes, obtaining a passport, and getting a driver's license. The main aim is to reduce administrative burdens for citizens.
- *Citizens Service Number*. It gives a unique number to citizens, businesses and other government organisations in order to simplify their interactions with government agencies.
- *Kafkabrigade*. It represents a group of experts that adopt the perspective of the citizen to resolve problems in the public sector that affect its interaction with the citizen. After a review was carried out with the authorities and civil servants involved, the experts issued recommendations to improve the current functioning of the system.

Source: OECD (2010), *Better Regulation in Europe: Denmark*, OECD, Paris, doi: 9789264084551-en, and OECD (2010), *Better Regulation in Europe: Netherlands*, OECD, Paris, doi: 9789264084568-en.

The Ministry of Economy is currently developing the version 2.0 of *tuempresa.gob.mx* which aims at improving the interface with entrepreneurs and notaries, and addressing several of the challenges detected in the first version. One way to complement these efforts and contribute to safeguard the effectiveness of administrative simplification strategies is to incorporate an evaluation plan before the project is launched. The aim would be to systematically assess the progress of the project throughout its life cycle: its development phase, once the initial outputs are obtained, and in a periodic way afterwards to assess whether the expected outcomes are reached.

Similarly, Mexico should consider having these and future similar simplification strategies under the responsibility of a steering committee, with the objective of embedding them more deeply into the broader better regulation agenda. Mexico could take advantage of the Federal Council for Regulatory Improvement, which brings together the COFEMER, the Ministry of Economy, and the Ministry of Public Administration, plus many other stakeholders, to design, implement, follow up, and evaluate these administrative simplification actions. This can help to ensure their consistency and complementarity with other regulatory tools such as RIA, public consultation, and *ex post* assessment.

### Notes

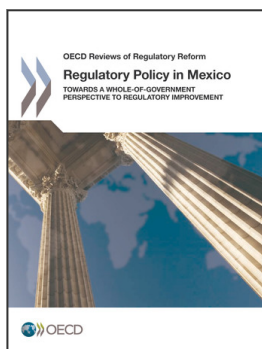
1. In 2010, there were 11 572 sole proprietors and 1 316 other types of companies registered with the Tax Authority (OECD 2011).
2. The portal *tuempresa.gob.mx* comprises the federal formalities only, and it ends at the stage in which a legal business has been created and registered with the tax authority. State and municipal licenses are still needed for the entrepreneur to make the first sale.

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