Annex A. Recent policy reforms

Table A.1. Details of recent policy reforms

Policy area	Reform area/actions
Tax policy	Personal Income Tax: Top personal income tax rate increased to 35% and limits imposed on tax deductions. A capital gains and dividend tax of 10% was introduced. Corporate Income Tax: limits on depreciation allowances were imposed and the fiscal regime that allowed firms belonging to a business group to file taxes jointly was eliminated. A number of loopholes and exemptions that allowed for accelerated deduction of investment expenses were removed or reformed. The preferential tax treatment of maquiladoras was revised to make it more neutral. In 2019, CIT in the northern border zone was reduced as a temporary, two-year measure to stimulate local economic activity. Value-added Tax: base broadening: reduced VAT rates in the border region were abolished in 2014, but reintroduced in 2019 as a temporary measure, and special exemptions for maquiladoras were removed. A tax on high-caloric foods and sweetened drinks was introduced. Informality: Fiscal (the RIF – Régimen de Incorporación Fiscal) and social security regimes for incorporation introduced in 2014 to fight informality. Moved away from transport fuel subsidies and increased special taxation on these fuels. Introduced carbon tax for fuels outside the transport sector in 2014. In 2017, an R&D tax credit was re-introduced. In 2019, universal compensation whereby taxpayers could automatically compensate other tax credits against VAT was eliminated. Digital economy: from April 2019, digital platform providers will be required to withhold VAT and income tax of 'gig economy' workers using their platforms.
Fiscal federalism	An incentive for municipalities to transfer the administration of the property tax to the state government was established in the Fiscal Federalism Law in 2014. VAT rates were unified across states. In 2016, the Federal Financial Discipline Law for States and Municipalities was passed to promote sustainable public finances, a responsible use of public design, and reinforce subnational accountability and transparency. In 2019, some components of Ramo 23 (discretionary transfers fund) were removed.
Financial sector	2014 reforms to strengthen the regulatory powers of CNBV and CONDUSEF, increase banking competition, strengthen development banks, improve and streamline bankruptcy procedures and formalise the incorporation of Basel III rules. A National Financial Inclusion Strategy was finalised 2016. In 2017, a regulatory framework for FinTech was established, and initial secondary regulatory issued in September 2018, with additional secondary regulation due to be issued in March 2019 and March 2020. In January 2019, an eight point financial sector plan was announced.
Competition policy	In 2013, two new autonomous competition authorities were created – COFECE and IFT – with greater independence, resourcing and powers. In 2014, a new Federal Economic Competition Law was enacted, granting the authorities new powers. This included the ability to regulate access to essential facilities, undertake market studies and conduct "dawn raids". Criminal sanctions for cartels have been reinforced. Specialised competition courts were created. Appeals regarding the legality of the proceedings of COFECE and IFT no longer have suspensive effects. However, as part of broad authority measures, the 2019 budget reduced for all ministries and public entities their resources and salary caps were introduced also for COFECE and IFT.
Regulatory reform	Several measures that formed part of the *Justicia Cotidiana* programme, which was implemented in all states (including federal government engaging with state and municipal governments to simplify business licences and construction permits, reduce local administrative burdens and diagnose regulatory reform in key sectors). Constitutional reform to establish a national policy on regulatory improvement was approved in February 2017. The General Law for Regulatory Improvement was passed in May 2018, which establishes the duties and responsibilities that state and municipal governments must follow to improve their regulatory frameworks.
Telecommunications and broadcasting	A new regulator (IFT) with exclusive authority for regulation and competition enforcement in the telecommunications and media industries was formed in 2013, and has a range of new regulatory capabilities to promote competition. IFT was granted the responsibility of determining the existence of preponderant operators and impose the necessary measures to ensure competition. In 2019, the *Red Troncal* tender was suspended, and the *Internet para Todos* initiative was launched, aiming to improve connectivity in underprivileged locations that have low or no connectivity.

Energy market	As part of the 2013 energy reforms, new sector regulators were created (with legal independence and budgetary autonomy). In 2019, their budgets were reduced and announcements made that they will be reviewed. In 2016, CFE's network and generation activities were legally separated. In 2014, PEMEX and CFE were turned into a "productive state enterprise" with improved governance. In 2019, plans to strengthen PEMEX and reinforce its budget were announced. The 2013 energy reforms opened domestic and foreign investors can enter oil and gas exploration, production and transportation sectors, and the refining and marketing of hydrocarbons. In late 2018, it was announced that existing contracts would be respected, but further tenders would be postponed. Retail fuel prices were liberalised in 2017. In late 2018, a National Refining Plan was created, aiming to achieve self-sufficient energy generation by rehabilitating PEMEX's 6 refineries and constructing a new one. In early 2019, the 4th clean energy auction was cancelled.
Labour market and tackling informality	The 2012 Labour Reform acknowledge new modalities of hiring and employment as temporary work, teleworking, hourly work and outsourcing. In June 2014, a constitutional reform raised the minimum working age from 14 to 15 years. In 2016, a constitutional amendment was approved to reform collective bargaining and the guarantee of union representation. The reform transfers the administration of employment matters from the conciliation and arbitration boards to the labour courts. It also proposes the creation of a decentralised federal agency for conciliation, with autonomy of management and budget, with national powers for the registration of all collective labour contracts and trade union organisations. In a follow-up to the constitutional reform approved in February 2017, regarding the administration of labour justice, initiatives to reform the secondary legislation were presented to advance this issue.
Election system	Following the 2014 reform to Article 41 of the Constitution, re-election of federal deputies, senators, mayors and local deputies is now allowed. Rules were established to increase gender equality (e.g., national lists for proportional representation in each party).
Education quality	In 2012, a constitutional reform made quality education a right for all Mexicans. Constitutional autonomy over the evaluation of Mexico's compulsory education system was granted to the National Institution for Education Evaluation (INEE) in 2012. In 2013, three complementary legislative proposals were approved: the General Law of the Professional Teaching Service, the Law of the National Institute for Evaluation of Education and reforms to the General Law of Education. The 2013 Professional Teaching Service (*Servicio Profesional Docente*) established a teacher evaluation system. A New Education Model was introduced in 2017, which reforms the curriculum for compulsory education to ensure that students are able to develop the skills required in the 21st century. Other policy actions included continued efforts to increase coverage at all educational levels with an emphasis on transitions, permanence and completion of studies; strengthening of school management autonomy through increased participation of parents by augmenting the number of active social participation councils; continued to invest in educational infrastructure; implementation of the Strategy for the Strengthening and Transformation of the Normal Schools, aligning the curriculum and teaching practices to the requirements of the New Educational Model; constitution of a National System of Upper Secondary Education that integrates and articulates the 33 existing subsystems aimed at strengthening the continuity of educational trajectories, as well as reducing administrative burdens. In 2019 the model for teacher evaluation has been replaced by a new one based on teaching observation in the class-room, and the analysis of practices to improve student learning.
Judicial system and security	Measures that are part of the *Justicia Cotidiana* programme (e.g., commercial oral trials). A new unified National Code of Criminal Procedure was adopted in all states and at the federal level in 2014, with further amendments to the Code in 2016. In 2014, the Constitution was amended to replace the Attorney General's Office with a more autonomous Prosecutor General. Mexico's first Prosecutor General was appointed in January 2019. The transition period to oral, adversarial criminal trials was completed in mid-2017. A constitutional reform to remove presidential immunity whereby presidents are protected from criminal prosecution has been submitted to the Senate. The Chamber of Deputies has approved a reform expanding the crimes for which the government can confiscate property to include, among others, corruption and fuel theft, and the reforms will now be considered by state legislatures. The creation of a National Guard has been approved in the lower house. A plan to fight fuel theft is being implemented.
Anticorruption and transparency	The National Anticorruption system was created to improve and facilitate co-ordination in the prevention, detection and sanctioning of corruption. However, it has not been fully implemented. The General Law of Administrative Responsibilities (GLAR) heightened penalties for those engaged in corruption, and obliges public servants to disclose their tax returns, submit asset declarations and declare conflicts of interest. A national auditing system was established to harmonise anti-corruption and integrity policies and capacities across Mexico. A system to allow citizens to submit complaints and allegations of corruption and follow cases was launched. A General Law of Transparency was enacted in 2015 and states have compiled with the new requirements.
Innovation system	Creation of Coordination of STI in the Office of the President in January 2013, which has been coordinating the National Digital Strategy. Increase of CONACYT's budget by about 20% in 2014. Goal of increasing R&D spending to 1% of GDP by 2018 set out in Special Programme for STI 2014-2018. The Law of Special Economic Zones was approved in 2016 and agreements for seven SEZs have been signed. Roll-out of Red Compartida wholesale mobile network is underway.

Modernisation of agriculture	PROAGRO programme introduced in 2013 reformed agricultural subsidies. Technical upgrading of irrigated lands (*Programa de Tecnificación del Riego*), which provides subsidies for the introduction of irrigation technology in agricultural plots. Programme of agri-parks and agricultural clusters (*Sistema Nacional de Agroparques*) was established to provide subsidies for the design, building and operation of agri-parks in areas with agricultural potential. In 2019, guaranteed minimum prices for small producers of 5 agricultural products were introduced.
Unemployment insurance, pensions and social benefits	Prospera launched in 2014 (revamped cash transfer programme), with better links to education, training and formal employment to promote self-sufficiency. The scheme of social programmes (including PROSPERA) is currently under review. Initiatives that have been announced as of early 2019 include a scholarship and training programme for young people, a universalisation of pensions and a double of payment amounts, microcredits without interest to small entrepreneurs and a special programme of cash transfers and scholarhsips for residents of communities where there is a high incidence of fuel theft.
Health system	Increased health care access through *Sistema de Protección Social en Salud* (including the insurance scheme Seguro Popular). A National Strategy for the Prevention and Control of Overweight, Obesity and Diabetes was launched in 2013. In 2016, the National Agreement Towards Health Service Universalisation was signed by Ministry of Health, ISSSTE, IMSS and 3 states. The number of agreements to exchange health services between institutions has increased. Further integration and improvement of the purchasing function of the health system through the activities of the Interinstitutional Commission for Price Negotiation of Medicines and other Medical Inputs of monopolistic nature, as well as the consolidate purchase of medicines and medical devices for all public institutions that IMSS coordinates.
Urban planning	Establishment of National Urban Development Programme 2014-2018 and National Housing Programme 2014-2018.

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