



COMPETITIVENESS AND WORKFORCE DEVELOPMENT



DATA AT A GLANCE

The World Economic Forum's Global Competitiveness Index ranks Mexico 55th out of 148 countries.

Mexico has a sound banking system (30th) and a relatively stable macroeconomic environment (49th).

Mexico's innovation capacity ranks 75th, and its use of information and communication technologies 83rd.

Challenges include labor market rigidities (99th), lack of domestic competition (100th) and a skills gap due to a poor-quality educational system (119th).

OVERVIEW

Mexico has established a solid macroeconomic foundation for sustainable long-term economic growth. However, many economists have noted that Mexico confronts a range of constraints to competitiveness of varying magnitude and complexity; if these constraints were addressed, Mexico would be able to achieve accelerated growth. The current Government of Mexico (GOM) is implementing fundamental economic reforms to transform national productivity and competitiveness. The government's economic governance priorities include promoting small business innovation and entrepreneurship, reforming regulation to boost competition among private companies, and increasing the efficiency of the state-run energy sector. The GOM is a principal partner of USAID and counterpart agencies include the Office of the President, the Mexican Judiciary, Federal Government secretariats, the Bank of Mexico, and financial, economic and technology agencies. Reform-minded state and municipal governments are also key partners. USAID is also building public-private partnerships with non-governmental stakeholders, including representatives of the private sector, academia, NGOs, policy think tanks, and civil society advocacy groups.

OBJECTIVE

While not in USAID Mexico's Country Development Cooperation Strategy 2014-2018, USAID's competitiveness and workforce development legacy programming will continue to support the economic reform priorities of the GOM and private sector. USAID supports Mexico's competitiveness-related priorities as outlined in the GOM's National Development Plan, promoting the systemic reforms that will ultimately result in increased private investment, sustained economic growth, and the generation of employment opportunities for Mexico's young people. USAID's workforce development efforts work at a systemic level to increase labor market skills acquisition among youth, adapt upper- and post-secondary education and training programs to labor market needs and increase portability of skills across the education, training, and labor market systems.

KEY ACHIEVEMENTS

- Strengthened the transparency, public legitimacy, and operations of Mexico's Federal Economic Competition Commission.
- Unlocked up to USD\$60 million in private capital to small and medium-sized enterprises, through the provision of a loan portfolio guarantee to a Mexican non-bank financial institution.
- Drafted a model law to prevent bid-rigging in state-level procurement, versions of which were adopted by the states of Mexico and Nuevo Leon.

- Created specialized financing vehicles that have enabled Mexican states and municipalities to access over USD\$2 billion from Mexican capital markets for infrastructure and refinancing. The replication of these financing models by sub-national entities has enabled them to mobilize over USD\$30 billion.
- Developed an interactive atlas/platform of job skills needed by Mexico's main economic sectors.

USAID COMPETITIVENESS AND WORKFORCE DEVELOPMENT INITIATIVES

Building Sustainable Sub-National Capacity to Self-Finance Infrastructure Development in Mexico

Implementer: Evensen Dodge International

This initiative assists sub-national public entities in Mexico to access domestic capital market to finance infrastructure development; documents the innovative specialized financing mechanisms it creates; and provides training on best practices. The initiative has helped the state governments of Baja California, Campeche, Chihuahua, Guanajuato, Hidalgo, Jalisco, Mexico, Michoacan, Puebla, Quintana Roo, and Veracruz.

Cleantech Challenge Mexico

Implementer: Green Momentum

This initiative promotes the creation, financing, and growth of clean technology companies in Mexico through an innovative annual business plan competition, in which "green" companies compete for a monetary prize and benefit from mentoring, capacity building, and access to potential investors.

ICT Networking and Entrepreneurship Skills Development

Implementer: World Learning – Cisco Systems

This initiative trains at-risk youth enrolled in public technical high schools in Ciudad Juarez, Monterrey, and Tijuana in information and communications technology and entrepreneurship skills. 1,200 youth and their families are expected to benefit from entrepreneurship training through Entrepreneurship Institutes, and 660 youth will benefit from information technology courses offered through Networking Academies.

Enhancing Mexico's Development: Promotion and Research of Public Policy in Competitiveness

Implementer: Centro de Investigacion para el Desarrollo A.C. (CIDAC)

This initiative strengthens Mexico's economic policy framework to enhance competitiveness and foster economic growth through research and analysis that: 1) Contribute to the national effort to align the requirements of young professionals with education based on Mexico's employment needs, 2) Promote policy proposals to foster institutional change towards more coherent and coordinated competition and regulation policies, and 3) Promote foreign direct investment related to re-shoring by increasing information available to transnational companies. The initiative focuses on national-level policies, with human capital pilot projects in Guadalajara and Monterrey.

The Immediate Deduction of Fixed Assets and Its Impact on the Competitiveness of Mexico

Implementer: Fundacion Ethos - Avance Analisis

This national-level policy initiative assesses the role of fiscal incentives (including the immediate deduction of fixed assets) as a government tool to boost private investment.

Juarez Microlending Program

Implementer: Salud y Desarrollo Comunitario de Ciudad Juarez A.C. (SADEC)

This initiative provides access to credit and financial and business education to low-income women micro-entrepreneurs living in marginal areas of Ciudad Juarez who require working capital to improve their economic situations through self-employment and diversifying their sources of income.

The Labor Reform: Toolkit for Local Governments

Implementer: Instituto Mexicano para la Competitividad A.C. (IMCO)

This initiative promotes the benefits of Mexico's labor reform among sub-national *juntas de conciliacion y arbitraje* (conciliation and arbitration boards), in order to improve their operational systems. Fostering improved labor court practices will reduce corruption and increase efficiency in local labor markets. The initiative is working with the Federal District and the states of Aguascalientes, Chihuahua, Morelos, Nuevo Leon, and Puebla.

Mexico Economic Policy Project (MEPP)

Implementer: Abt Associates

This initiative supports Mexican-led efforts to strengthen economic governance and contributes to the following outcomes: a) Government funds are used effectively to promote private sector development and productivity, b) Businesses face fewer obstacles to growth, c) Competition is improved, d) Regulatory reform improves SMEs' access to private capital, e) Business transactions are more efficient and reliable, and f) Citizens have greater access to public information. The initiative focuses on national-level policies but is also conducting pilot projects or case studies in Colima, the Federal District, and Jalisco.

Rutas: Workforce Development for Mexico

Implementer: International Youth Foundation (IYF)

This initiative promotes systemic reforms to improve the transition of Mexican students from technical education to the workforce and to improve the alignment between upper-secondary technical education and labor market needs. This initiative is being implemented in Baja California, Chihuahua, and Nuevo Leon.