

MEXICO - Social Cohesion



REGIONAL CONTEXT

EXTREME POVERTY ABOVE THE LATIN AMERICAN AVERAGE (ECLAC):

- 41.9% of the population are living in poverty and 7.4% in extreme poverty in 2018.
- Figures could reach in 2021 - 49.5% and 17.4% respectively.

HIGH LEVELS OF INEQUALITY, WORSENING SINCE 1990:

- Gini coefficient of 0.5, since 2005
- Positive, but not inclusive economic growth. Approximately 50% of those born in the bottom quintile remain there in adulthood. Regional differences: north historically being richer than the south.

HIGH LEVEL OF INFORMAL LABOUR - 60% OF THE ACTIVE POPULATION::

- 26% of the population has access to social security.
- 37% of Mexicans have a bank account
- 30% decrease of public revenues for 2021 (National Institute of Statistics and Geography - INEGI).

Very low tax collection capacity - average tax revenue is 14% of GDP

Loses approximately 8.5% of GDP through corruption.

National Development Plan (NDP) 2019-2024

GEOPOLITICAL CONTEXT AND RELEVANT SDGS



Agenda 2030

COVID-19

- EU global agreement with Mexico
- EU-Mexico Fund (Transition in Development)
- EU MS and European Development agencies most active in Mexico: AECID, AFD and GIZ
- Mexican-German Fund

TEAM EUROPE PROPOSAL

SUPPORTING DOMESTIC REVENUE MOBILISATION BY IMPROVING CAPACITIES AND TRANSPARENCY OF FEDERAL AND STATES TAX ADMINISTRATIONS:

- Modernization of tax administration (at federal and state levels).
- Fiscal coordination between federal and state levels (National Fiscal Coordination System -SNCF)
- Independent inspection service inside the tax administration and a protected whistle blower network/system.
- Improve and apply efficiently tax avoidance and evasion mechanisms.
- Clear and efficient communication with taxpayers (corporate and individuals).
- Monitoring of the tax system functioning and reduction of corruption (parliament, civil society, the academy, private sector) observation - next presidential election in 2025 (EU, DE tbd)

IMPROVING CAPACITY FOR A MORE EFFICIENT, FAIR, TRANSPARENT AND ACCOUNTABLE PUBLIC SPENDING SYSTEM:

- Public expenditure definition and formulation
- Transparency adoption and implementation:
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 - strengthen public spending
- Social dimension in public expenditure definition and implementation
- Monitoring and evaluation system of public spending (civil society, the academy, private sector, Federal and State Audit Offices)

PROMOTING FORMAL EMPLOYMENT AND ACCESS TO SOCIAL SERVICES FOR ALL:

- Diagnose existing schemes for employees and self-employed workers
- Revision and adoption of legal schemes for employees, self-employed and atypical workers
- Strengthen the capacity of labour inspection public services
- Schemes and strategies to integrate vulnerable and marginalized groups (youth and women)
- Formalization of employment (parliament, civil society, labour organisations, private sector)
- Campaigning in favour of formal employment for all

CROSSCUTTING ISSUES:

- Gender and rights-based approach
- Fighting inequalities
- International labour standards and Decent Work
- Indigenous people
- Environmental impact election in 2025 (EU, DE tbd)

IMPLEMENTATION

- Whole of Delegation approach
- Consolidation of financial resources
- Communication specialists
- Continuous skills and capacity development
- Communication and visibility guidelines
- Multiannual strategic plans



MODALITIES/TOOLS

Policy dialogue

- Research Facility on Inequalities

Triangular and regional cooperation:

- ES
- DE (Regional Fund on Triangular Cooperation in LAC)
- EU (ADELANTE)

Technical assistance - bilateral funds:

- EU-Mexico Fund
- Eurosocal+ regional programme
- Socieux+ Facility
- TAIEX
- Other NDICI implementation modalitie

KEY DELIVERABLES

Incentivising measures

- Expanded fiscal space for increased investments and public spending for SDGs;
- Efficient, transparent, sustainable and strengthened state public finances, tax policies and administrations making the best use of secure digital solutions ;
- Ministries of Labour and Welfare capacities and control/enforcement mechanisms installed and/or strengthened;
- Appropriate incentives and solutions to boost jobs formalisation and social contributions compliance
- Improved effectiveness of State revenue collection and the quality of expenditure in selected Mexican States and promotion of relevant digital solutions,
- Promotion of decent work and job formalisation for the most vulnerable and most at risk workers - especially women and young people - (including via increased capacity of relevant institutions in charge of job formalisation, raising awareness activities on the benefits of formal jobs and support to inclusive and secure digital mechanisms)
- Promotion of the integration of "people on the move" through formal employment (including via facilitated issuance of work permits and
- migratory documentation, enhanced recruitment mechanisms by the private sector and facilitated access to public and private services for people on the move).

TRANSFORMATIONAL POTENTIAL

Modernisation of fiscal administration, the definition of public expenditure and the formalisation of labour, reversing social fragmentation and growing inequalities, and promoting sustainable growth.

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*This Team Europe Initiative is work in progress

**SDGs included based on a new JRC electronic text mining tool, which identifies SDGs (targets)