

TC Document

I. Basic Information for TC

▪ Country/Region:	MEXICO
▪ TC Name:	Support for administrative simplification and regulatory improvement at the subnational level in Mexico
▪ TC Number:	ME-T1530
▪ Team Leader/Members:	Reyes, Javier Ramiro (IFD/ICS) Team Leader; Farias, Pedro Cesar L. (IFD/ICS) Alternate Team Leader; Grayeb Bayata, Claudia (CID/CME) Alternate Team Leader; Lugo, Gloria (CID/CME) Alternate Team Leader; Lagarda Cuevas, Guillermo (IFD/ICS); Enriquez Mendoza Jose Luis (CID/CME); Martinez, Ynty Koyllor (IFD/ICS); Rey Sepulveda Jessika Alexandra (IFD/ICS); Rojas Gonzalez, Sonia Amalia (IFD/ICS); Gonzalez Chacon Marianna Jose (IFD/ICS); De Dobrzynski, Esteban (LEG/SGO); Garza Cortina, Miriam (VPC/FMP); Hernandez Carrion, Jose Luis (IFD/ICS); Angel Canarete Hugo Alberto (ITE/IPS)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	01 Apr 2024.
▪ Beneficiary:	MEXICO
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$180,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	October 15
▪ Types of consultants:	Individuals and firms
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	CID/CME-Country Office Mexico
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631):	Institutional capacity and rule of law; Productivity and innovation

II. Objectives and Justification of the TC

- 2.1 The general objective of this Technical Cooperation (TC) is to strengthen the institutional capacities of state governments in Mexico (subnational level) to promote a more favorable business environment through enhanced regulatory systems and digital capabilities. To achieve this, the TC focuses on three specific objectives: (i) supporting the implementation of the Virtual Document Manager (VDM) by integrating state procedures that consume data generated by state or national institutions; (ii) initiating the integration of procedures managed by municipal entities, laying the groundwork for the vertical integration of the VDM and (iii) generating common protocols that facilitate the flow and use of data across the three levels of Mexican government.

- 2.2 This TC builds on the IDB's efforts under the Public Management and Transparency for Competitiveness Program (5702/OC-ME) to enhance institutional capacity for regulatory improvement and administrative simplification at the federal level. The program aimed to boost competitiveness by reducing interaction costs between government, citizens, and businesses and promoting a more inclusive business environment. It included two Policy-Based Loans (PBLs). The first focused on implementing governance mechanisms and digital tools like the *Expediente de Trámites y Servicios (ETS)* for improved service delivery and transparency. The second loan emphasized adopting instruments at the subnational level to consolidate reforms in terms of simplification and regulatory improvement programs, and balance capacities across regions.
- 2.3 Subsequently, the IDB supported the development of the *Expediente Electrónico Empresarial (EEE)* through the TC ATN/OC-19301-ME, which later evolved into the Virtual Data Manager VDM. The VDM is a mechanism for the consultation and transparency of digital or digitized documents. It aims to reduce administrative burdens for individuals and businesses through datafication, improve legal certainty, and address corruption. Key benefits include eliminating the need for physical document handling, centralizing digital interactions, providing anonymized or personalized access to digital channels, and ensuring universal validation of digital data by authorities. However, the tool requires further strengthening, as it currently does not have the capability to store data or to create a dedicated client file containing all their data.
- 2.4 A pilot implementation of the VDM was successfully carried out in Jalisco, specifically for artisan registration. This experience has provided valuable insights and a clear action plan for future implementations at the state and municipal levels. The lessons learned will guide improvements to make the VDM more agile and adaptable to the diverse needs of federal entities. In line with these efforts, this Technical Cooperation (TC) will continue strengthening the institutional capacities at the federal and subnational levels to foster a more favorable business environment across the country, particularly in the states of Sonora and Tamaulipas. These states were selected as pilots for the implementation of the Virtual Document Manager because they are in the process of reformulating their institutional frameworks for regulatory improvement and are driving large-scale digitalization projects. Additionally, their populations range between 2 and 3 million inhabitants, and there are approximately 1,000 known administrative procedures, making them suitable for a controlled pilot test. The administrations of both states have expressed their interest in implementing the manager, along with working with a municipality to test a vertical implementation of the tool.
- 2.5 The third objective of this TC emphasizes supporting the standardization of databases through protocols and syntax to enhance data architecture. Data standardization is crucial for digital transformation as it ensures that data is interoperable, processable, and usable through Digital File tools. This standardization facilitates the efficient exchange and management of information, making public services more effective and integrated. As technology adoption by authorities grows, it has enabled the optimization and reengineering of public processes and services, aiming to improve citizen well-being and business productivity. However, fragmented and sequential technology implementations have sometimes prevented the development of a unified vision for public service delivery. The lack of data standardization and consistent syntax impedes the advancement towards comprehensive transactional systems. A

robust data transfer architecture is essential for enabling digital transformation at all levels of government—federal, state, and municipal—to deliver services that meet the real needs of the population.

2.6 **Strategic Alignment.** The TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objective of: (i) reduce poverty and inequality by increasing transparency and integrity in the management of personal and business data, since the VDM facilitates access by citizens and small entrepreneurs to public services at different levels of government without having to present information that is already held by another government agency or entity. The TC is also aligned with the operational focus area(s) of (i) institutional capacity, rule of law, and citizen security, since it aims to strengthen government capacities in the provision of digital services, optimize intergovernmental coordination and enhance public sector efficiency and (ii) productive development and innovation through the private sector since the platform will reduce transaction costs faced by companies which will improve their productivity. It is also aligned with the IDB Group's Country Strategy with Mexico (EBP) 2019-2024 (GN-2982), specifically with the priority area of "Encouraging investment dynamism," by supporting cross-cutting issues (paragraph 3.31 of the EBP) related to applying technologies to simplify services and strengthen transparency and contributing to the reduction of informality through the reduction of regulatory costs. Finally, the TC is consistent with the Priority area of "effective, efficient and transparent institutions" of the Ordinary Capital Strategic Development Program (GN-2819-14) due to its contribution to strengthen the: (i) quality of institutions; and (ii) to leverage digital transformation to promote more effective, efficient and transparent governments. This TC is also aligned with the Subnational Governments Sector Framework Document Regulation OP-2018 (GN-2835-13), since its activities are aimed at reducing coordination problems between subnational governments, municipalities and the central government. Specifically, Component 2 with the development of Virtual Data Manager pilots at the subnational level will allow vertical integration for procedures that relate to data from state or federal entities. Likewise, the development of data protocols for Component 3 will lay the foundation for greater coordination of procedures that use information (data) between different entities at a horizontal and vertical level.

2.7 The TC also looks forward to boost digital transformation of the public sector. The development of digital infrastructure, such as the VDM, will streamline access to public services across different levels of government, reduce transaction costs for companies, and minimize discretion in information management.

III. Description of activities/components and budget

3.1 **Component 1. Implementation of the VDM in two federal states (US\$90,000).** This component aims to strengthen the VDM at the state level in Sonora and Tamaulipas¹. The activities include: (i) procedure Identification and Assessment: select and evaluate two candidate procedures within each state that could benefit from the VDM. This involves assessing the current data flow, understanding the requirements of the data-consuming entities, and identifying the most critical points where the VDM can

¹ Sonora and Tamaulipas were chosen for the pilot based on a combination of factors, including their active efforts to overhaul their institutional frameworks for regulatory reform, their commitment to advancing large-scale digitalization initiatives, and the manageable scale of their populations and administrative procedures, which allows for a controlled pilot test environment.

add value; (ii) customization and integration of VDM: tailor the VDM for the identified procedures by defining the specific data-providing and data-consuming entities. This includes configuring the VDM to meet the unique requirements of each procedure, ensuring seamless integration with existing systems, and enabling efficient data transfer; (iii) technical support and maintenance planning: develop a comprehensive plan for ongoing technical support and maintenance of the VDM in both states. This involves training local staff, setting up a helpdesk for troubleshooting, and establishing protocols for regular updates and system monitoring to ensure long-term sustainability; and (iv) pilot development and implementation: design and implement a pilot intervention for the use of the Virtual Data Manager at two federal states.

- 3.2 **Component 2. Pilot implementation of the VDM at the municipal level (US\$50,000).** Component 2 aims to test the scalability of the Virtual Data Manager (VDM) by implementing it at the municipal level with vertical integration. The process involves selecting a municipal procedure that utilizes state or federal data and deploying the VDM accordingly. This will help assess how well the tool functions in a real-world municipal setting and its ability to integrate with existing systems. The component aligns with the second phase of the program, which focuses on extending tools and reforms to the subnational level. It supports the broader objective of enhancing the effectiveness of digital solutions at various levels of government. This component will finance the following activities: (i) design a scalability and vertical integration strategy: develop a comprehensive strategy that outlines how the VDM can be expanded to include all relevant business procedures and services at the subnational level. This strategy will serve as a blueprint for future implementations and ensure that the VDM can be seamlessly integrated across different levels of government; (ii) pilot development and implementation: select a specific municipal procedure that relies on data from state or federal entities. Implement the VDM to manage this procedure, allowing for an assessment of the tool's functionality and its integration with existing systems; and (iii) evaluation and feedback loop: establish a continuous evaluation process during the pilot, gathering feedback from municipal officials and users. This will help identify areas for improvement and ensure that the VDM is refined to meet the specific needs of municipal-level operations.
- 3.3 **Component 3. Development of Data Transfer and Usage Protocols (US\$30,000).** This component focuses on creating a conceptual framework, along with standards and syntax for data transfer. It involves establishing protocols and uniform data formats that ensure interoperability between different systems and entities, facilitating efficient digital transformation. Without these standards, integrating systems and enabling seamless communication across various levels of government would be challenging. The activities include: (i) collaborative development workshops: conduct a series of workshops with representatives from federal, state, and municipal governments, as well as IT and data management experts. These workshops will focus on collaboratively developing the conceptual framework, standards, and syntax for data transfer. The goal is to create protocols that ensure interoperability across various government systems and align with the broader objectives of digital transformation; (ii) definition of the data exchange protocol: a data exchange protocol will be developed to account for potential variations and failures that may occur within the business file. This protocol will include the definition of the semantic and syntactic structures of the main data sets to be exchanged. Additionally, a table of minimum master data will be established to ensure the standardization of information exchanges and (iii) report of the data usage protocols: develop a comprehensive report that

document the process, outcomes, and lessons learned under this component and the resulting protocols provided to the Mexican government

- 3.4 **Component 4. Case Study and Dissemination (US\$10,000).** This component will involve conducting a case study based on the results of the TC implementation to identify best practices for integrating regulatory measures with digital tools. The findings will be analyzed and disseminated to share insights and recommendations for future implementations. The key activities include: (i) monitoring and evaluation: oversee the progress of contracts, products, and results, ensuring that all project milestones are met. This will include regular reporting on the implementation status of Components 1 and 2, particularly focusing on the pilots in Sonora, Tamaulipas, and selected municipalities²; (ii) coordination with government entities: establish and maintain effective communication with government entities involved in the pilot projects. This will involve coordinating activities, resolving any challenges that arise, and ensuring that the pilots are aligned with the broader objectives of the TC and (iii) dissemination of results and case study development: prepare and distribute reports and dissemination materials that highlight the project's key achievements. In addition, a comprehensive case study will be developed to document the lessons learned, challenges encountered, and best practices identified during the implementation. This case study will serve as a valuable resource for future projects and broader audiences interested in digital transformation initiatives.
- 3.5 **Indicative Budget.** The TC's total budget is US\$180,000, financed by OC SDP Window 2 - institutions (W2C). The execution and disbursement periods will be 30 months. The table below shows the detailed budget.

Activity/Component	Description	IDB
Component 1	Implementation of the VDM in two federal states	US\$90,000
Component 2	Pilot implementation of the VDM at municipal level	US\$50,000
Component 3	Development of Data Transfer and Usage Protocols	US\$30,000
Component 4	Case Study and Dissemination	US\$10,000
Total		US\$180,000

IV. Executing agency and execution structure

- 4.1 At the request of the Government of Mexico,³ the TC will be executed directly by the Bank through Innovation and Citizens División (IFC/ICS) with the support of the Bank's Representation in Mexico. The request is justified by institutional factors inherent in the internal budget execution processes in Mexico, which may result in significant delays in contracting and could have a negative impact on the achievement of the

² The municipalities in the states of Sonora and Tamaulipas will be selected based on the technical feasibility of business or citizen procedures that allow for a thorough test of the vertical implementation of the tool.

³ Annex I, Client Request, is currently under preparation. It will be added to the TC Document package post QRR.

planned development objectives. The Bank's responsibility as executing agency meets the criteria for execution by the Bank, as described in Annex II of the Procedures for Processing Technical Cooperation Operations (OP-619-4). IFD/ICS has extensive experience in executing technical assistance projects and is successfully executing several national TCs in the same field ([ATN/OC-16371-ME](#) and [ATN/OC-19301-ME](#)). The focal point responsible for the execution will be the sector specialist designated by IFD/ICS, supported by the team of the Bank's Representation in Mexico. This specialist will be responsible for supervising and approving the reports resulting from the contracted consultancies

- 4.2 The IDB, through the TC team and its leader, will have financial and technical responsibility for the implementation of the TC, as well as for the supervision of the TC's products. Monitoring of the TC will be done through periodic execution reports based on the results matrix. The execution of the activities contemplated under the TC will be carried out in close collaboration with the designated representatives of the federal and municipal governments to facilitate inputs in the contracting of activities and during their execution.
- 4.3 **Procurement.** The Bank will hire individual consultants and consulting firms in accordance with current procurement policies and procedures. The activities to be executed under this operation will be included in the Procurement Plan and carried out in accordance with the Bank's established procurement methods, namely: (a) hiring of individual consultants, as established in the regulations AM-650; (b) hiring of consulting firms for services of an intellectual nature; and hiring of logistics services and other services other than consulting, according to the policy GN-2303-33 and its associated Guidelines.

V. Major issues

- 5.1 The main identified risks are related to: (i) the selection of technological solutions for the Virtual Data Manager not being the most suitable to achieve the results in a timely and efficient manner; and (ii) difficulties in coordination among agencies and levels of government that may hinder the effective implementation of the second component of the technical cooperation. These risks will be mitigated respectively through: (i) involving stakeholders, IDB specialists, and recognized experts in discussions to support technological decisions; and (ii) identifying leading institutions that can effectively coordinate implementation efforts. In addition, through Component 4, the Bank will disseminate VDM's results to raise potential users' awareness of its beneficiaries.
- 5.2 The intellectual property of all knowledge products will belong to the Bank and may be made available to the public under a Creative Commons license. However, at the request of the beneficiary, following the provisions of the procedures AM-331, the intellectual property of said products may also be licensed to the beneficiary through specific contractual commitments.

VI. Exceptions to Bank policy

- 6.1 This TC operation does not include any exceptions to Bank policy.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated

with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

VIII. Required Annexes

[Request from the Client_96341.pdf](#)

[Results Matrix_46115.pdf](#)

[Terms of Reference_57608.pdf](#)

[Procurement Plan_78031.pdf](#)