Executive summary

The OECD was asked by the Mexican government to carry out an independent policy assessment to identify rules and regulations that may hinder the competitive and efficient functioning of markets in two sectors of the Mexican economy along the vertical supply chain. These were medicines (production, wholesale, retail) and meat (animal feed, growing of animals, slaughterhouses, wholesale and retail).

The project has proceeded in five stages. Stage 1 defined the exact scope of the two sectors. A list of 228 pieces of sector-relevant federal legislation was collected. In Stage 2, this legislation was screened using the OECD's *Competition Assessment Toolkit* to identify potential competition barriers: 176 prima facie restrictions of competition (100 in medicines and 76 in the meat sector) were identified. Additionally, an economic overview for each sector was prepared, which contained important economic indicators such as output, employment and price trends. In Stage 3, the policymaker's objective for each provision was investigated. An in-depth analysis was carried out qualitatively and, whenever permitted by availability of data, quantitatively. A number of meetings were held with officials of the relevant authorities, as well as with representatives of private associations, to reach a better understanding of lawmakers' motivations and objectives. In Stage 4, draft recommendations for those provisions that were found to restrict competition were developed, taking into account similar provisions in comparable countries, notably the EU and the US. In the final stage, recommendations were finalised. Additionally, during the project, the OECD team organised two workshops with officials from relevant authorities to build competition-assessment capabilities in the Mexican administration and to discuss preliminary recommendations.

As a result of this work, the report makes 107 recommendations on specific legal provisions that should be abolished or amended.

The recommendations detailed in this report, if implemented, would benefit consumers in Mexico and the Mexican economy in both sectors. More specifically, if the recommendations are implemented, the OECD has calculated a positive effect for the Mexican economy of at least MXN 10 228.7 million, which could rise to MXN 44 161.9 million. As this estimated amount is based upon the small number of quantifiable issues, the final benefits from full implementation could be larger.

The main recommendations by sector are summarised below.

Medicines sector

- Issue a binding regulation determining the exact conditions under which pecuniary advantages or benefits of significant value to doctors can be granted.
- With respect to the current sale of branded drugs and the ban on substitution by a pharmacist if a brand name was part of the doctor's prescription, the OECD provides two optional recommendations. Option 1) Oblige pharmacists to inform patients about the cheapest available generic and allow prescribed medicines to be substituted with a cheaper generic when the patient agrees, unless the doctor has specified

"substitution not allowed". Option 2) Introduce a provision that requires doctors to prescribe only International Nonproprietary Name (INN) medicines.

- Rebuild the basket used to calculate maximum prices for patented drugs in Mexico, taking into account not only prices in six countries with the highest sales volumes (as currently), but also other factors, such as income level of reference countries and out-of-pocket expenses.
- Make public the amendment to the price-regulation agreement between CANIFARMA and the Ministry of Economy.
- Require that entries into the sanitary registry, necessary for marketing drugs, must be renewed only once, after five years, and then become perpetual. This recommendation will first require increasing the quality and frequency of in-situ controls; introducing large fines if pharmaceutical companies do not report changes in a medicine in time to COFEPRIS; and granting adequate resources to COFEPRIS to fulfil this task.
- Abolish the requirement to rely on an incumbent registry holder's permission (usually the official importer) to import medicines into Mexico.
- Continue with an ongoing project to make the Mexican Pharmacopoeia available online as soon as possible.
- Harmonise NOMs that state that they are not in line with international norms with current international standards.

Meat sector

- Issue NOMs for the national classification of beef, pork and chicken carcasses, to foster interstate trade and exports.
- Abolish the requirement of various Mexican states for transport documents (*guías de tránsito*), which impose additional zoosanitary controls to those established by the national authority SENASICA.
- Abolish the requirement to acquire certification from a local livestock association to transport livestock across Mexican territory.
- Eliminate the requirement for SENASICA to authorise establishments in countries whose sanitary authorities have previously been authorised to export to Mexico animals, their products and sub-products. This should be conditional on establishing bilateral agreements that abolish any additional requirements for Mexican exporting companies with countries that have at least the same sanitary standards as Mexico.
- Replace the requirement to inspect 100% of imported lots of meat, carcasses, viscera and offal with a system under which both the timing and number of controls, as well as the amount of samples taken to be inspected, would be chosen based on a risk assessment.
- Guarantee that VUCEM, an Internet platform created by the Mexican government that centralises communication and compliance issues for Mexican federal agencies with border-management responsibilities, is fully functional at all times. Furthermore, clarify management responsibilities.
- Update those NOMs that state that they are not in line with international norms.