



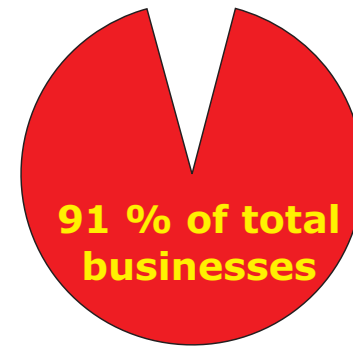
Program to Incorporate Business Assets into the Formal Sector in Mexico



EXTRALEGAL BUSINESS IN MEXICO (*)

More than **8 million enterprises (91%)**



- Produce approximately 39% GDP
- Employ 42% of the EPA
- Support 50% of the population



VALUE OF EXTRALEGAL ASSETS

588 billion dollars which is :

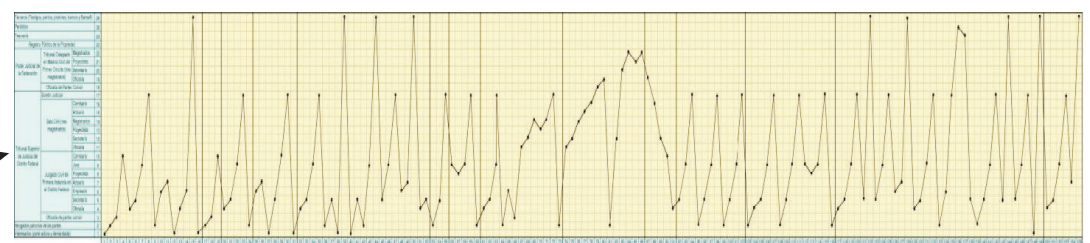
- **61 times greater than official international development assistance received by Mexico over the last 40 years.**
- **2.8 times greater than all foreign direct investment in Mexico over the last 30 years.**

	Billions of US\$	
Real estate assets	547	
Business assets	41	
Total	588	

WHY ARE THEY EXTRALEGAL ?

Some examples of costly mechanisms for:	Time (Days)	Steps	Cost (US\$)
Selling a home	226	52	6,031
Creating a mortgage	225	48	5,237
Foreclosing a mortgage in court	852	138	16,303
Foreclosing an instrument of debt	1,073	155	8,751
Building a business establishment	265	54	4,852
Obtaining legal access to a business as a sole trader	71	33	1,435
Obtaining legal access to a business (partnership)	95	65	4,707

Judicial procedure to enforce an instrument of debt in the Federal District



Duration : 1,073 days

(*) They are extralegal enterprises given that they are hardly able to reap the benefits of a market economy because they do not have the necessary legal instruments to do so. An extralegal enterprise cannot:

- Organize the production of goods and services according to a system that is structured hierarchically and through which labor can be divided, assets combined, and contracts among suppliers, clients, creditors and investors coordinated.
- Administer and partition assets and establish limited liability, all of which promotes investment since risks are reduced and the rights of all parties involved in any transaction are protected, even if an owner dies.
- Gain access to property rights that fix the potential of asset and make them fungible. That is, that enables them not only to convert assets into shares to capture capital, to title assets to obtain liquidity, or to transform them into collateral to secure credit, but also to convert them into standardized information to facilitate economic comparisons, into efficient devices to make economic agents accountable, and into instruments that protect their transactions, insert them in a network, and help them to create value chains.
- Gain access to standardized legal mechanisms so as to obtain a business identity that will allow entrepreneurs to go beyond the limited circles of family and local acquaintances and carry out transactions at a national and global level.