

## As Mexico's Social Safety Net Grows, Issues Arise

By Melissa LoPalo and Pia Orrenius

Mexico is realizing its commitment to building a social safety net, after developing innovative programs over the past two decades that target universal health care, poverty reduction and food security. Macroeconomic stability and democratic rule since 2000 have accelerated progress, and social spending as a percentage of GDP has increased from 8.6 percent in 2000 to 11.3 percent in 2010, according to the Economic Commission for Latin America and the Caribbean.

Social programs cover more than half of Mexico's population, even as critics contend that a lack of resources has led to poor quality of services as well as to unintended social and economic consequences.

*Seguro Popular*, begun in 2002, has brought health insurance to 52.6 million low-income, informal-sector or unemployed workers and their families. With recent appropriations, officials believe they are closing in on their goal of achieving universal health care. *Oportunidades*, which started in 1997 as *Progresa*, requires that children attend school in return for twice-monthly cash assistance as well as health care and food support for their families. In 2010, 5.8 million households were covered.

*70 y Más*, introduced in 2007, seeks to improve the quality of life for the rural elderly lacking pensions by providing monthly financial support. It covered 2 million seniors in 2010.

*Procampo*, which pays grants to land-holding farmers during each agricultural cycle, was initiated in the fall-winter planting cycle of 1993-94 in anticipation of Mexico's entry into the North American Free Trade Agreement. Although the program, intended to offset the impacts of increased foreign competition, was meant to last 15 years, it still covered 2.5 million farmers in 2010.

Independent and government-commissioned studies have shown the initiatives meet many of their goals and serve their intended populations. For

example, *Seguro Popular* has reduced catastrophic health-care spending, while *Oportunidades* has boosted students' performance and health.

Still, there are concerns the programs distort labor market incentives while at times providing substandard services. Critics worry that *Seguro Popular*, by giving informal workers benefits usually reserved for those employed on the books, makes formal sector jobs less attractive.

*Seguro Popular* is tied to a significant reduction in the flow of workers into the formal sector, decreasing the size of the sector by 0.4-0.7 percentage points, according to the World Bank. Much of that decline came during the program's first two years. Although beneficiaries are supposed to make payments based on their income, in practice only 2 percent of them do, raising questions about the sustainability of *Seguro Popular*. It lacked accreditation for one-third of the medical services it offered in 2011 and provides only a fraction of promised drugs and services. The flow of resources from the federal government to state and local authorities remains slow, with little transparency and accountability. Gaps in facility quality persist; rural locations

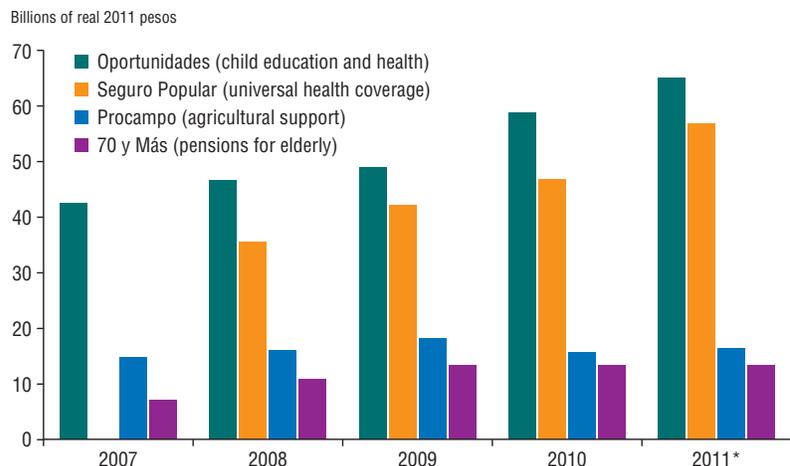
in particular, often staffed by medical students instead of physicians, are hampered by poor infrastructure.

*Oportunidades'* goal of improving school attendance doesn't address school quality; Mexico ranks last among Organization for Economic Cooperation and Development (OECD) countries for education in the OECD's Better Life Index. A government report found that 30 percent of *Oportunidades* students lack basic language competency after primary school and 55 percent have insufficient language and reading comprehension skills after secondary school.

The future of these programs depends on the government's ability to fund them. Their introduction and expansion—particularly *Seguro Popular* and *Oportunidades*—have rapidly boosted social spending (see chart). These increases are sure to continue as the programs grow to capture more of their target populations while improving service quality.

Despite the considerable list of current and future challenges, Mexico has emerged as a pioneer of creative social programs in the developing world, with many millions of its citizens benefiting.

### Spending on Major Social Programs Increases



\*2011 numbers are original budget numbers.

SOURCE: Consejo Nacional de Evaluación de la Política de Desarrollo Social.