PROMOTING AN INTEGRAL SOCIAL PROTECTION SYSTEM

EXECUTIVE SUMMARY

Message 1. Despite much recent progress, Mexico's social protection system faces equity and efficiency challenges. The social protection system comprises social security (insurance) regimes, social assistance programs, and labor market interventions. Pending challenges include system fragmentation, program design weaknesses, regressiveness, and coverage gaps.

Message 2. Further reforms are needed to build on the gains achieved and effectively reduce inequities and inefficiencies in order to achieve an integral social protection system that provides protection to all from income shocks, helps smooth consumption over the life cycle, and promotes greater human development. To improve the design and targeting of interventions, Mexico could consider actions to strengthen the performance of health insurance schemes, *Oportunidades*, and some of its other core programs. To close gaps in coverage, Mexico could strengthen or create interventions that improve labor market outcomes, especially among youth and the urban poor; provide old-age income security and services for the elderly poor; and mitigate the impact of disasters and crises. And, to promote an integral social protection system that articulates policies and programs, Mexico could develop a unified registry of beneficiaries or interoperable information systems, increase functional integration across health insurance schemes, improve coherence and compatibility across programs, and establish institutional arrangements for better coordination.

OBJECTIVE

This note reviews the challenges in Mexico's social protection system and possible options to achieve an integral and effective system that is more than the sum of its parts. Mexico's social protection system includes contributory social security schemes, social assistance programs, and labor market programs. The contributory social security schemes offer pensions and health insurance to formal sector workers to protect against income shocks and help smooth consumption over the life cycle. The recent noncontributory Social Protection System in Health (SPSH) provides health insurance to people not covered by formal schemes. To prevent poverty and promote greater human development, Mexico has several social assistance interventions, including *Oportunidades*, a conditional cash transfer program for the chronically poor, and *70 y Más*, a noncontributory old-age income-support program. Finally, the social protection system also includes several labor market interventions that promote employability, facilitate job matching, and protect workers against economic shocks. This note reviews the progress achieved so far by Mexico's social protection system and its remaining challenges to achieve an integrated system that provides effective protection to all Mexicans from income shocks, that helps them smooth consumption over the life cycle and promotes greater human development.

KEY CHALLENGES

Despite recent progress, the social protection system faces equity and efficiency challenges

Major reforms over the last two decades—establishing *Oportunidades, Seguro Popular, and El Consejo Nacional de Evaluación de la Política de Desarrollo Social* (CONEVAL)—have improved the coverage and effectiveness of the social protection system. A critical reform in the late 1990s was the creation of the conditional cash transfer program *Oportunidades*

(originally called *Progresa*) to replace general food subsidies. This social assistance program aims at breaking the intergenerational transmission of poverty by providing 5.7 million families with a cash transfer when they comply with their co-responsibilities in terms of investments in their children's human capital; and in parallel the Government provides basic health, nutrition and education services. The program has increased poor households' consumption, school attendance, and use of health services. *Oportunidades* is highly progressive, and simulations suggest that transfers from the program result in a reduction of extreme poverty by 3.4 percentage points in 2010, with a particularly strong impact in rural areas (reducing poverty 9.6 percentage points). Because of its demonstrated impacts on health, nutrition, and education, the program has served as a model for numerous countries in the region and beyond.[1]

Another major reform was the creation of a health insurance, *Seguro Popular*, for people not covered by the social security regimes. A 2003 reform of the General Health Law institutionalized Seguro Popular, the main pillar of the noncontributory Social Protection System in Health (SPSH). It replaced the public health system's historical budgets, which were linked mainly to preexisting infrastructure and personnel, with actuarially calculated insurance premiums and replaced user fees with contributions based on household ability to pay (though in practice few affiliates contribute). This reform substantially increased public health expenditure—from 2.6 percent of GDP in 2006 to 3.1 percent in 2010, still low compared with other countries in the region and the OECD—and reduced the differential in public expenditure between those covered by formal insurance schemes and the uninsured from 2.2. to 1.5. The program expanded rapidly to cover virtually all its target population, about 51.8 million people by the end of 2011, becoming one of the world's largest subsidized health insurance programs targeted to people outside the formal sector. *Seguro Popular* increased use among its affiliates 5 percentage points, decreased out-of-pocket expenditure 25 percent, and reduced the incidence of catastrophic health expenditure slightly more than 15 percent.[2]

Progress has also been made in putting in place some of the legal, institutional, and operational elements required for an integral system. In particular, the 2004 Social Development Law established a legal framework for social protection, defining its contours and associated social rights. It also set up the CONEVAL, which was instrumental in defining and measuring multidimensional poverty, setting up guidance and criteria for targeting of interventions, and putting in place elements for greater results-based management through its monitoring and evaluation system.

Despite these significant reforms, the social protection system still faces challenges: fragmentation, design and targeting weaknesses, and coverage gaps.

Fragmented social protection system

In health insurance, multiple contributory schemes and the SPSH function in parallel with little coordination. Each scheme has its own funding sources, insurance pools, administration structures, financial reserves, and service provider networks, resulting in large inefficiencies. There is very little functional integration and coordination across these subsystems because affiliates are limited to services provided by their scheme's own network. In 2011 administration and insurance costs accounted for an estimated 10.8 percent of total expenditure on health, the highest in the OECD.[3]

Fragmentation can result in unequal access when insurance subsystems offer different packages of services. For example, despite recent improvements, the health insurance schemes of the *Instituto Mexicano del Seguro Social* (IMSS) and the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* (ISSSTE) cover services at all levels of care, while the SPSH covers only a small set of highly complex health services.[4] Service quality also varies across schemes. For example, in 2000, before the introduction of the SPSH, the maternal mortality ratio was nearly three times higher among women with access only to the public health care service system than among women with contributory social health insurance. Among old-age income-security programs, the average benefits or annuities also vary widely across schemes, ranging from 500 Mexican pesos a month for beneficiaries of 70 y Más to 17,500 Mexican pesos for beneficiaries of the contributory regimes *Régimen de Jubilaciones y Pensiones* and *Luz y Fuerza del Centro*.[5]

In labor markets multiple programs overlap and are duplicative. For example, there are 63 federal programs and actions in seven federal entities aimed at promoting income-generation and economic well-being, and at least 10 provide micro-credits. Many have the same objectives and target populations (mostly indigenous and rural citizens). The large number of programs directed at similar dimensions of poverty suggests some dispersion and highlights the challenge of coordination. State and municipal interventions likely add to duplication and overlap.[6]

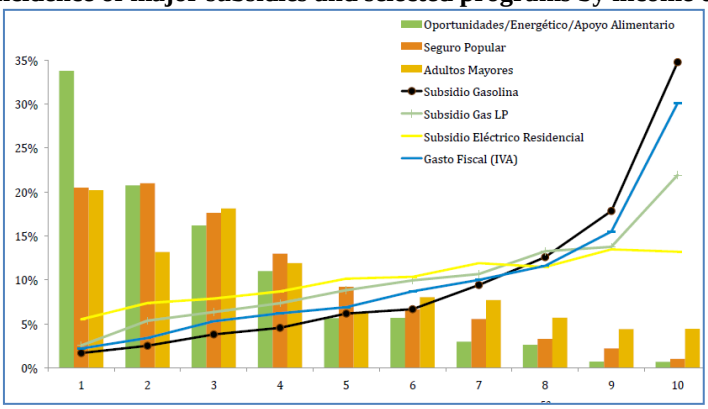
Some fragmentation of the social protection system in Mexico stems from the design and financing of interventions. As discussed above, services vary across contributory and noncontributory regimes (range of health services, risks covered, bundle of benefits, and the like). Contributory programs are (at least partly) funded from contributions from formal sector workers, while noncontributory programs are typically financed largely from general government resources. This dichotomy can create incentives for individuals to adjust their labor market behavior, which can affect their individual coverage, the financing and risk-pooling of the system, and labor markets[7].

Weaknesses in program design and targeting

Mexico has very strong experience in targeting programs to the vulnerable, but some programs still disproportionately benefit the wealthiest while absorbing an important share of resources. While *Oportunidades* and *Seguro Popular* are amongst the most progressive interventions, and despite overall improvements in the targeting of social spending over the past few years, several programs benefit richer households disproportionately. In particular, general subsidies for liquid gas, gasoline, and residential electricity, initially put in place to protect the poor from increases in energy prices, benefit the richest households most (figure 1). Other programs are regressive by design; for example, the Employment Subsidy Program (*Subsidio para el Empleo*), which covers only formal workers (less than 5 percent of the subsidies goes to the poorest household decile). Even many targeted programs do not reach the poorest. Programs targeted to the indigenous population and programs of the Social Development Ministry (SEDESOL) tend to be progressive in rural areas, but programs of the Secretariat of Agriculture, Livestock, Rural Development, Fisheries, and Food (SAGARPA) are concentrated in richer municipalities. The most regressive programs account for a substantial share of expenditure: consumption and agricultural subsidies account for 47 percent of income-support programs and,

with the special value added tax regimen for selected food and medicines, they are four times larger than all targeted programs put together. As mentioned in Mexico Policy Note on medium-term fiscal sustainability, energy subsidies have been estimated at over 1.5 percent of GDP.[8]

Figure 1. Incidence of major subsidies and selected programs by income decile, 2010

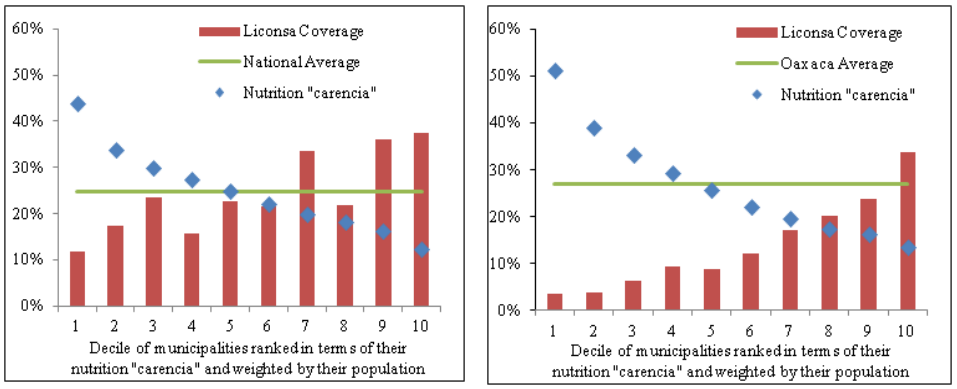


Source: Scott 2001

Despite recent efforts to address inequalities in social outcomes, there remain large regional variations in service provision, which tend to reinforce prevailing patterns. An analysis of major federal programs reveals that some cover better-off municipalities and states more than they cover the most vulnerable ones. For instance, Liconsa, a nutrition program that provides milk to low-income households, is less present in municipalities with a higher nutrition deficit, a pattern repeated within some States, such as in Oaxaca, where the most vulnerable municipalities tend to be less covered (figure 2). An analysis of the federal funds transferred to states and municipalities to perform core decentralized functions, in health and education in particular (known as the *Ramo 33* and accounting for 20–26 percent of federal expenditure), shows that not all programs are closely aligned with the depth of the issues they address. Similarly, despite the introduction of the Social Protection System in Health, access to health services "when needed" remains around 86 percent in some states, and the provision of medicines included in the system's benefit package ranges from 43 to 88 percent. These differences can also be found in health resource distribution and in their intensity of use, resulting in large performance variations between state health systems (*Sistemas Estatales de Salud*, SESAs).[9]

Figure 2. Coverage of Liconsa for decile of municipalities ranked by nutrition status

All Mexican municipalities **Municipalities in Oaxaca**



Source: Calculations from Liconsa and CONEVAL data.

In addition to the inefficiencies created by the lack of functional integration across health insurance schemes, their internal organization and functioning can also generate inefficiencies. For instance, health insurance schemes integrate financing and service provision. Together with provider payments mechanisms unrelated to production, this can result in inefficiencies because strategic purchasing of services (the option to decide what to buy, how often and from whom)[10] is precluded. The government, aware of this issue, has deployed important efforts to reorganize the systems, particularly in the case of the SPSH; however, progress has been limited.

Coverage gaps affecting the poor and vulnerable and those in the informal labor market

Employment services, which promote employability and intermediation, have limited coverage. The bulk of resources for active labor market policies and programs, broadly defined, goes to income-generation and productive programs. Many of these programs focus on agricultural production, where they tend to reach large agricultural producers and have limited impact on poverty. In contrast, few employment services promote greater employability and inclusion in the labor market (services of labor intermediation, counseling, financial aid for job search, skills upgrading or training, child care, and the like). Such programs—including *Instancias Infantiles*, which focuses on vulnerable mothers and single fathers—can have substantial impacts on labor force participation and duration. The overall distribution of programs translates in greater coverage in rural areas, while important gaps in the coverage of employment services persist in urban and peri-urban areas, despite increased urban poverty.[11]

In terms of old-age income security, about 37 percent of Mexican workers contributed to a pension system in 2010, significantly below the regional average of 45 percent. While this percentage has increased over time, progress has been limited since the early 1990s, and contribution rates are only marginally higher among younger workers. The poor have particularly low rates, with less than a tenth of workers in the poorest quintile contributing, compared with two-thirds of workers in the richest quintile. As a result, only 7 percent of those ages 65 or older in the poorest quintile receive a pension, compared with 41 percent in the richest quintile. The low rates are due partly to the fact that less than half of lower wage workers retain jobs in the formal sector for 25 years, the minimum time needed for a pension.[12] The recent expansion of noncontributory programs such as *70 y Más* and *Seguro Popular* addresses some of

the gaps, but they remain insufficient to ensure full protection and attention in old age. Overall, the system remains highly fragmented and rigid.

While some instruments can protect households in emergencies or crises, the social protection system lacks the adequate panoply of mechanisms needed to mitigate impacts. The Temporary Employment Program and *Oportunidades* protected beneficiaries during recent economic crises; the Climate Emergency Program covered more than 3 million smallholder farmers against crop losses related to natural disasters in 2009, increasing yields and incomes; and formal workers were allowed to withdraw part of their pension savings during the recent economic crisis. However, these programs reach only some population groups and are not sufficient to completely mitigate crises (the Temporary Employment Program focuses mostly on rural areas, although it expanded to urban areas during the most recent crisis; *Oportunidades* is not designed to quickly sign up transient populations; and the Climate Emergency Program does not reach the poorest). And they do not cover all risks; in particular individual unemployment risks (experience from Chile suggests that those most likely to be affected by unemployment are least likely to have accumulated enough to provide for effective protection).[13]

More financing will be needed to close these gaps, which will likely be exacerbated by Mexico's demographic and epidemiological transitions. Even if Mexico achieves efficiency gains within programs, targets programs more effectively, and exploits synergies across programs, filling existing gaps will require greater financing, which would have to be part of a broader fiscal reform to increase tax collection capacity and alter revenue allocation, as discussed in Mexico Policy Note on medium-term fiscal sustainability. The option of more systematic funding of social protection programs from general revenues to reduce system fragmentation and de-link services from labor status could be considered within the context of a broader fiscal reform. In addition, in the medium to long term, population aging and exposure to unhealthy diets, physical inactivity, and tobacco use and alcohol abuse can threaten the financial sustainability of health insurance schemes, as the burden of non-communicable diseases (e.g. cardiovascular diseases, diabetes, cancer, etc.) grows, and will call for a sharper focus on prevention. Longer lives will also affect labor markets and incomes because people will be able to work longer, but will require old-age income protection longer.

POLICY OPTIONS

1. Improving the design and targeting of interventions

The performance of the health insurance schemes must continue to be strengthened. Doing so requires changing their organization and functioning, including clearly separating financing and provision, as well as provider payment mechanisms to allow strategic purchasing. Using production-based payments more would offer incentives for providers to decrease inefficiencies while improving quality, particularly if purchasing across different schemes becomes the norm. The 2003 health reform envisioned these changes in the state health systems to ensure better management of *Seguro Popular* and established incentives to promote equality, technical efficiency, and responsiveness. These incentives included new provider payment mechanisms that would facilitate insurance portability across states and schemes, thereby allowing greater functional integration (as discussed below). In contrast to other reform objectives, there has been little progress in reforming the organization and functioning of the state health systems,[14] though some have started to purchase services from other states and social security institutions.[15]

Finally, the health system urgently needs to be reformed to better respond to the increasing burden of non-communicable diseases. This requires shifting from a system organized to deal with episodes of acute illnesses to a system focused on preventing and controlling chronic conditions. The creation of the SINOS (*Sistema de Información Nominalizado de Salud*) and its health risk management strategy (*Consulta Segura*) is a step in this direction.

The performance of *Oportunidades* must also continue to be improved. *Oportunidades* has been strengthened over the years: it improved its targeting mechanism to take into account updated poverty lines and multidimensional poverty, paid better attention to indigenous groups, and redefined its recertification and exit criteria. To provide transfers to isolated population groups that lack access to basic services, the government also set up the Food Support Program (PAL, *Programa de Apoyo Alimentario*), an unconditional transfer program operated by *Oportunidades* since 2009. *Oportunidades* has also expanded in urban areas. More generally, some of the conditions that originally motivated the program have changed, and analyses have revealed the need for greater focus on promoting the employability of beneficiaries, both in terms of greater skill acquisition and in terms of transition to labor markets.[16] As a result, *Oportunidades* is evaluating whether to modify or add co-responsibilities, including strengthening the focus on early childhood development and preschool; making health co-responsibilities more effective (taking advantage of SINOS) while reducing the number of visits required, for which there is little or no evidence of benefits; generating mechanisms to promote completion of upper secondary school and supporting the transition from school to higher education or to work. In addition, the questions of efficiency in urban areas, mechanisms of intervention in indigenous areas, and the quality of the services received by beneficiaries merit further attention.

Resources and programs must be better targeted to improve the progressivity and design of interventions. Mexico has substantially improved the progressiveness of its social protection interventions over the past decade. But many programs could still be retargeted or eliminated, and resources could be better allocated. In particular, some of the subsidies initially put in place to protect the poor—including energy subsidies and some tax exemptions and special regimes—could be eliminated and existing targeted programs used to compensate the poorest. Other programs could be better targeted, on the basis of the measures of *rezago, pobreza, or carencia* developed by CONEVAL. This could be facilitated by the creation of a unique registry, as discussed below. Federal resource allocation, both within federal programs and in transfers to municipalities and states, could also better address some regional disparities in outcomes. This would call for allocation mechanisms related (at least partially) to the severity of the issue they are designed to address, while providing incentives for efficient service delivery and for allocation of local resources.[17] The systematic evaluation efforts led by CONEVAL have significantly improved the design and implementation of some programs, and this should be replicated for programs that still lack clearly defined objectives, targets, or implementation mechanisms. Clearer targets and design can increase program efficiency and impact. Strengthening states' capacity and mandate to monitor and evaluate would also be critical. Stronger results orientation is important for more effectively allocating resources based on results on the ground, including through contracting public or private providers based on results.

2. Closing gaps in coverage by strengthening or creating interventions

Effective programs are needed to improve labor market outcomes, especially among the youth and the urban poor. While multiple factors affect labor market productivity and job creation beyond the scope of this note (some of which are discussed in Mexico Policy Note on business environment and competition), interventions that build skills and promote employability can improve outcomes in terms of productivity overall and for the most vulnerable groups. These policy options are presented in greater detail in Mexico Policy Note on labor markets and include integral employment services for the most vulnerable and a national skills strategy that aims to increase labor market productivity and reduce poverty through inclusion. In addition, social assistance programs could better link their exit strategies with labor market interventions and more generally ensure that their beneficiaries are connected with such interventions when appropriate, with a view to promoting their income-generation capacity. In particular, as discussed above, it is important that *Oportunidades* explores options to reduce dropout among youth—promoting transition from school to college—and to broaden the range of institutions that can verify co-responsibilities (to reflect other options for developing skills that are labor market–relevant).

The elderly poor should be provided with old-age income security and services. To increase coverage of the elderly with transfers sufficient to ensure income security, existing contributory systems need greater portability of services (to reflect labor market movements), more flexibility (for instance, in the minimum number of years required to qualify for benefits), and greater efficiency (by unbundling services that do not protect or redistribute income, such as contributions for housing funds, sports or cultural facilities, and child care).[18] Another action, now under way, is the expansion of noncontributory schemes targeted to vulnerable groups. In the medium term, with the population aging, Mexico could identify needs for broader services for the elderly in order to set up mechanisms for these services to be available and financed as needed. In the longer term, building on these shorter-term actions, Mexico could pursue an integrated system, within which benefits evolve according to an individual's condition and that provides incentives for individuals to save for old age. This system could be at least partially delinked from labor markets, as in Chile.

Mechanisms are needed to mitigate the impact of disasters and crises. To protect households against crises—whether affecting one family or a larger group—Mexico needs to go beyond existing programs to offer a range of mechanisms adapted to different situations. Some programs would be permanent (such as unemployment insurance); others would need to be ready for deployment at specific times to respond to crises. Guidelines for activation would also be needed, including as part of response to disasters (see Mexico Policy Note on disaster risk management). To address unemployment risks, Mexico could replace severance payments with a model that combines individual accounts with a solidarity fund that pools some unemployment risks (see Mexico Policy Note on labor markets). The design of programs such as the Temporary Employment Program should easily adapt to multiple crises, which can affect population groups differently. This is particularly critical in urban contexts, where fewer programs exist and where the vulnerable cannot resort to subsistence farming, as initiated with the Temporary Employment Program.

3. Promoting an integral social protection system that articulates policies and programs to ensure greater impact

Creating an overarching system that ensures that policies and programs are compatible, synergies are exploited, services are provided in a coordinated and efficient manner, and the like is a difficult endeavor that remains a challenge even for countries at the cutting edge of the issue. Mexico has made some progress through technical coordination of some of its core programs on the ground, and institutional arrangements exist for greater consolidation. But the country still lacks some of the fundamental tools and mechanisms to promote greater integration. Many of these actions are complex and will require concerted efforts.

A unified registry of beneficiaries or interoperable information systems should be considered. Each program and subsystem has its own management information system, including the roster of beneficiaries, functioning in parallel to the others. Even within institutions, these registries are typically not integrated, although some use common tools, such as the CUIS (*Cuestionario Único de Información Socio-económica de Hogares*, Unique Questionnaire of Socio-economic Household Information) used by programs in the Social Development Ministry and the unique identifier called CURP (*Clave Única de Registro Poblacional*) which all social programs are required to use by Presidential Decree. Interoperable information systems or a unified registry of beneficiaries could foster better coordination and integration of the social protection system's components, promote a national targeting system (adapted to each program's needs but built on the same information system) as discussed above, allow greater coordination across programs (promoting referral mechanisms, sharing data on beneficiaries, encouraging portability, and facilitating shared service delivery mechanisms) as discussed below. A unified registry is critical for greater efficiency and targeting but will require addressing complex identification issues.

Functional integration across health insurance schemes should be increased. This is critical to ensure portability of benefits and reduce inefficiencies and inequalities. Functional integration would solve many weaknesses in the current health system (such as parallel delivery networks, administration structures, and the like). Contracts and payment mechanisms would need to be standardized across health providers to allow cross-purchasing of services, a common information system would need to be established, a sector-wide investment plan would need to be developed, and common standards for accrediting health facilities would need to be adopted.[19] Functional integration is compatible with different health insurance schemes but could also be a step toward a unification of these schemes if the country decides to pursue that.

Coherence and compatibility across programs should be improved. For all elements of the social protection system, it would be important to explore options for coordinating across interventions,[20] including for situations when bridges should be established for individuals to move from program to program; situations when programs should refer beneficiaries to other interventions; situations when programs could choose joint service delivery (with one person or institution interacting directly with beneficiaries of numerous programs); situations when portability of entitlements and services across providers is necessary in light of the mobility of individuals; and situations when synergies warrant joint interventions. Given the federal nature of the country, coherence and compatibility are required both within and across levels of government.

Institutional arrangements for improved coordination should be established. In the long term Mexico would benefit from defining institutional leadership to articulate a long-term vision and strategy and guide its implementation. Only concerted efforts can address the system challenges. Past attempts to articulate social assistance and income-generation or employment programs, including the *Vivir Mejor* (Live Better) strategy in 2007, have not been fully operationalized because of lack of a lead agency to coordinate programs and budgets. A first step could be revising the legal basis for existing coordination institutions, including the Social Cabinet, the Social Development Council, or the Social Development Commission established by the Social Development Law, with a view to propose institutional arrangements for the social protection system. As part of the tools needed to orient resources efficiently and strategically and promote synergies while avoiding overlaps, it is also critical to continue strengthening CONEVAL in its role of monitoring and evaluating the system and its components and proposing reforms, in particular at the sectoral level. It is also critical to ensure that performance evaluations are considered in the budget allocations (as started in 2011).

Matrix of short- and medium-term policy reform options*

Reform area	Short-term options	Medium-term options
Objective 1: Improving the design and targeting of core interventions		
Continue to strengthen the performance of the health insurance schemes	• Evaluate progress in the state health systems (SESAs) and the social security schemes in separating financing and purchasing functions and reforming provider payment mechanisms. (AR) • Evaluate the effectiveness of *Sistema de Información Nominalizado de Salud* (SINOS) in managing health risks. (AR)	• Separate financing and purchasing functions of health insurance schemes. (AR) • Reform the provider payment mechanism for health service delivery networks. (AR) • Reform health care model so that it more effectively prevents and controls noncommunicable diseases.(AR)
Continue to improve the performance of Oportunidades	• Identify mechanisms to increase Oportunidades' focus on early childhood and preschool; make health co-responsibilities more effective; and promote upper secondary school completion and transitions from school to higher education or work. (AR)	• Implement changes as relevant. (AR)
Improving the targeting and design of selected interventions and the allocation of resources	• Identify poorly targeted programs and propose closing or updated targeting mechanisms.(AR) • Design mechanisms to allocate federal resources. (AR) • Improve objectives, targets, and design of key programs, using CONEVAL's assessments. (AR)	• Eliminate or transform regressive programs. (AR) • Design core targeting system for programs to adapt to their objectives (AR) • Revise federal resources allocation mechanism (LR) • Implement changes to reflect revised design, exploit synergies, and limit incompatibilities. (AR)
Closing gaps in coverage by strengthening or creating interventions		
Improving labor market outcomes, especially for the	• Define options for *Oportunidades* to promote greater skills accumulation (see above). (AR)	• Develop a national skills policy (see Mexico Policy Note on labor markets). (AR)

young and urban poor	• Develop an integral employment services model for the vulnerable, linked to social assistance.(AR)	• Implement integral services for the most vulnerable. (AR)
Providing old-age income security and services for the vulnerable elderly	• Strengthen existing programs by increasing flexibility and unbundling some services. (AR) • Finish the rollout of the targeted noncontributory scheme(AR)	• Explore options for a unified system that provides incentives for saving for old age. (AR) • Identify needs in terms of broader services for the vulnerable elderly. (AR)
Mitigating the impact of emergencies or crises on households	• Identify non-covered risks and options to improve functioning of programs in times of crises (especially in urban areas). (AR) • Explore options for the design of an unemployment insurance program.(AR)	• Set up an unemployment insurance mechanism.(LR) • Set up a mechanism to trigger timely emergency response and funding. (LR) • Adjust operational procedures for core programs to better respond to crises. (AR)
Promoting a more integral social protection system		
Developing a unified registry or interoperable information systems	• Develop a platform for a unified registry of beneficiaries, building on the Social Development Ministry's Unique Questionnaire of Socio-economic Household Information (CUIS) and international experience.(AR)	• Migrate core programs to the unified registry and use it for targeting, portability and coordination. (AR)
Increasing functional integration across health insurance schemes	• Design joint information systems.(AR) • Developing a sector-wide infrastructure plan.(AR) • Set up common standards for facility accreditation.(AR)	• Standardize contract and payment mechanisms across health providers to allow cross-purchasing of services. (AR) • Establish joint information systems.(AR)
Improving coherence and coordination across programs	• Explore options for coordination between programs, including joint service delivery. (AR) • Identify mechanisms for service portability. (AR) • Identify incompatibilities and synergies between programs and across government levels. (LR)(AR)	• Apply mechanisms for greater portability across programs. (AR) • Implement coordination mechanisms across programs, including joint service delivery. (AR)
Developing institutional arrangements for improved coordination	• Review existing legal framework and assigned responsibilities of core actors. (LR) • Continue strengthening CONEVAL capacity, including to inform resource allocation (AR)	• Define institutional arrangements for a system steward and make normative adjustments.(LR) • Link budget allocation to needs diagnostic and performance evaluation.(LR)

*AR: administrative reform; and LR: legal reform. Preliminary classification.

NOTES

[1] The program and independent researchers undertook a series of rigorous impact evaluations that demonstrated these impacts and shaped the program's design (www.oportunidades.gob.mx/evaluacion). Simulated reduction in poverty (measured with the *linea de bienestar minimo*) is from Araujo and Sandoval (2012).

[2] The Social Protection System in Health includes Seguro Popular, the Fund for Protection against Catastrophic Health Expenditure, Insurance for a New Generation, Strategy of Healthy Pregnancy, and other policies. See Gakidou and others (2006); Frenk and others (2006); and Bosh and others (2012). Data on coverage are from the National Commission of Social Protection in Health.

[3] See Ribe, Robalino, and Walker (2010) and http://stats.oecd.org/index.aspx?DataSetCode=HEALTH_STAT.

[4] As of 2012 Seguro Popular covers 284 primary and secondary interventions with 522 pharmaceutical products; the Fund against Catastrophic Health Expenditure covers 57 highly complex services; and Health Insurance for a New Generation covers 128 child care services.

[5] In some states beneficiaries of noncontributory pensions also receive state-provided social pensions. See Scott (2010).

[6] Extensive analysis of the inventory of programs and their progressivity is presented in CONEVAL (2011a).

[7] Since the creation of the SPSH brought the services of the subsidized regime closer to those offered by IMSS; it can potentially create an incentive for firms and individuals to choose labor market informality; thereby decreasing IMSS affiliation and increasing Seguro Popular's. In the past few years, several studies have tried to estimate this impact, mostly finding an overall impact on IMSS affiliation that is smaller than anticipated, but an impact that increases over time and that is higher in rural areas and for certain population groups. See World Bank (2012) "Mexico Social Protection System in Health and Labor Market Affiliation

[8] See Coneval (2011a), Scott (2009), and the database of Centro de Estudios para el Desarrollo Rural Sustentable y la Soberania Alimentaria.

[9] See CONEVAL (2011b); Blum and others (2011); OECD (2005); and Centro de Estudios Económicos y Sociales en Salud del Hospital Infantil de México Federico Gómez (2012).

[10] See Ribe, Robalino, and Walker (2012) and Busse and others (2007).

[11] For an evaluation of the Programa de Estancias Infantiles, see Angeles and others (2011). Poverty in rural areas increased from 62.4 percent in 2008 to 64.9 percent in 2010 (Coneval 2012).

[12] See Rofman and Oliveri (2011) and Anton, Hernandez, and Levy (2011).

[13] See CONEVAL (2011); Scott (2009, 2010); Dávalos, Haddock, and Freije-Rodríguez (2011); Skoufias and Vinha (2010); De Janvry and others (2006); and Fuchs and Wolff (2010). In Mexico withdrawals are limited to a maximum of 90 days of last wage every five years. In Chile those least likely to have sufficient resources include employees with short-term contracts or with frequent moves in and out of the formal labor market. For these people withdrawals further jeopardize their retirement income (Reyes et al. 2011).

[14] World Bank (2012c).

[15] There is a national agreement for the exchange of emergency obstetric health services across the different insurance schemes.

[16] Yaschine Arroyo (2012).

[17] Already, transfers for Fondo de Aportaciones para los Servicios de Salud destinados a la Persona and for other funds from the federal government to the states are discounted from the federal solidarity contribution, one of the tripartite funds transferred to states to finance Seguro Popular. This mechanism has reduced the difference in per capita expenditure between the state receiving most and the state receiving least from five times in 2002 to four times in 2006. See Frenk and others (2006).

[18] Rural day laborers and construction workers can already waive part of the contributions to services that they do not access.

[19] See Ribe, Robalino, and Walker (2012); World Bank (2008); and World Bank (2012).

[20] There have been examples of coordination; for instance, some states discontinued their old-age income security noncontributory programs when the federal program 70 y Más was deployed or between Seguro Popular and Oportunidades, but these have not been systematic.

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