



SECRETARÍA DE
DESARROLLO SOCIAL

SEDESOL

Social Policy in Mexico: Existing Programs and New Strategies

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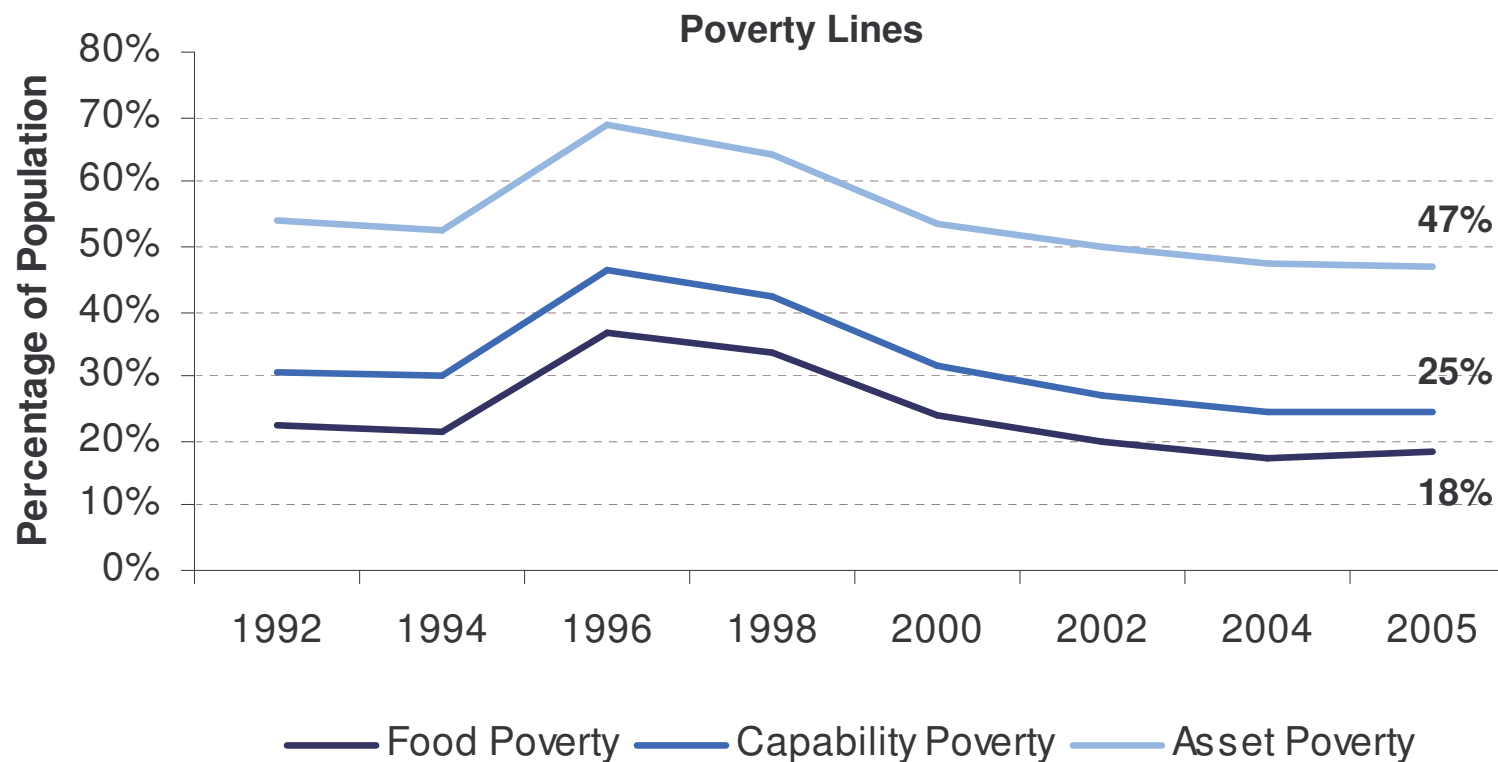


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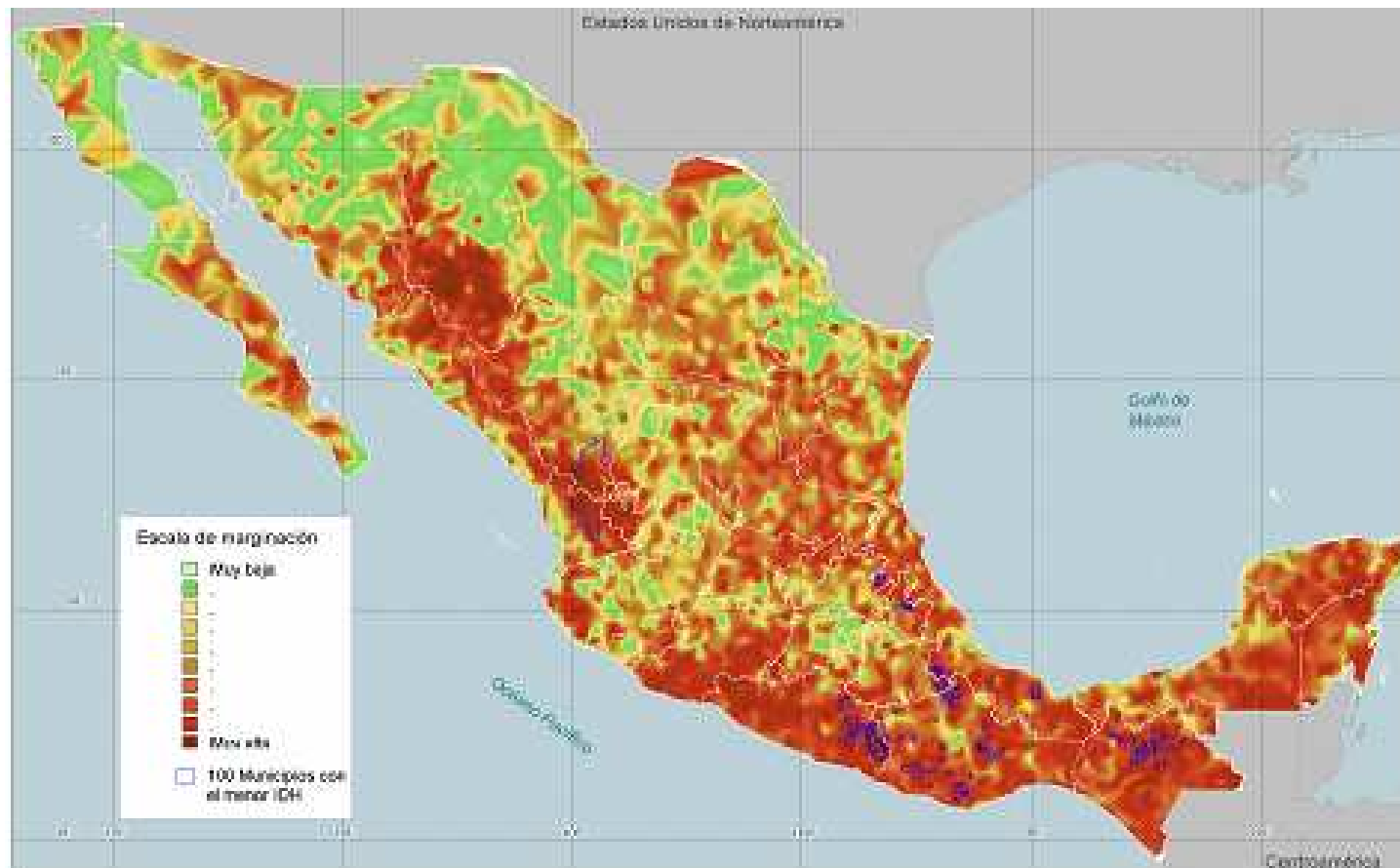
I. Background

Poverty has fallen steadily since 1996, but remains very high



Source: National Council for the Evaluation of Social Development Policy, CONEVAL

52% of municipalities show high or very high levels of exclusion

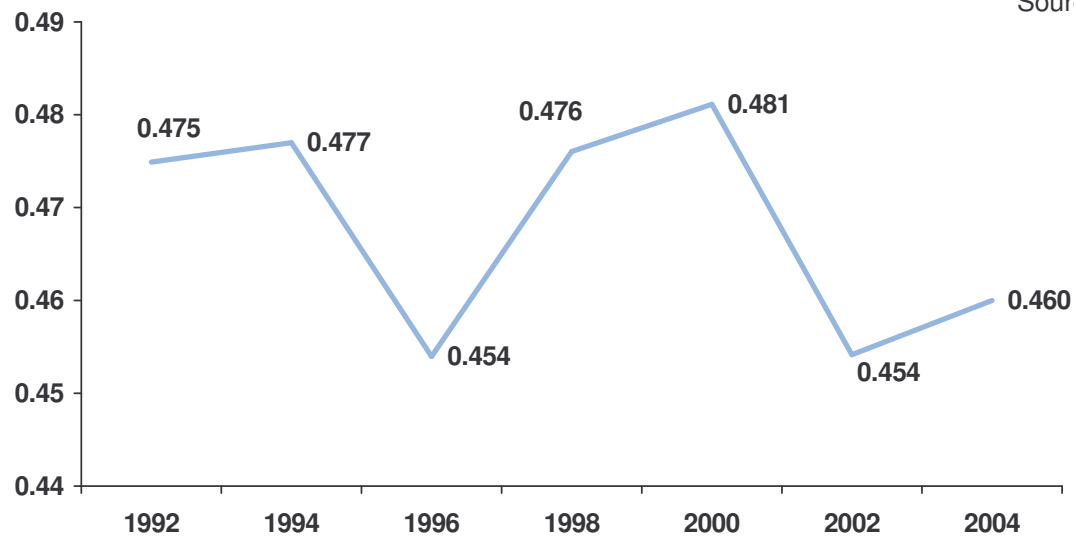


This index takes into consideration 9 elements: % illiterate population, % of population that completes primary education, % of homes with a drainage system, % of homes with electricity, % of homes with tap water, % of homes with more than one household, % of homes without concrete floors, % of population living in communities with less than 5000 inhabitants, and % of population with an income below 2 minimum wages.

Income inequality is still very high...

| Share of income (%) | |
|---------------------|------|
| Poorest 10% | 1.3 |
| Poorest 20% | 3.8 |
| Richest 20% | 55.7 |
| Richest 10% | 40.1 |

Inequality (Gini Coefficient*)

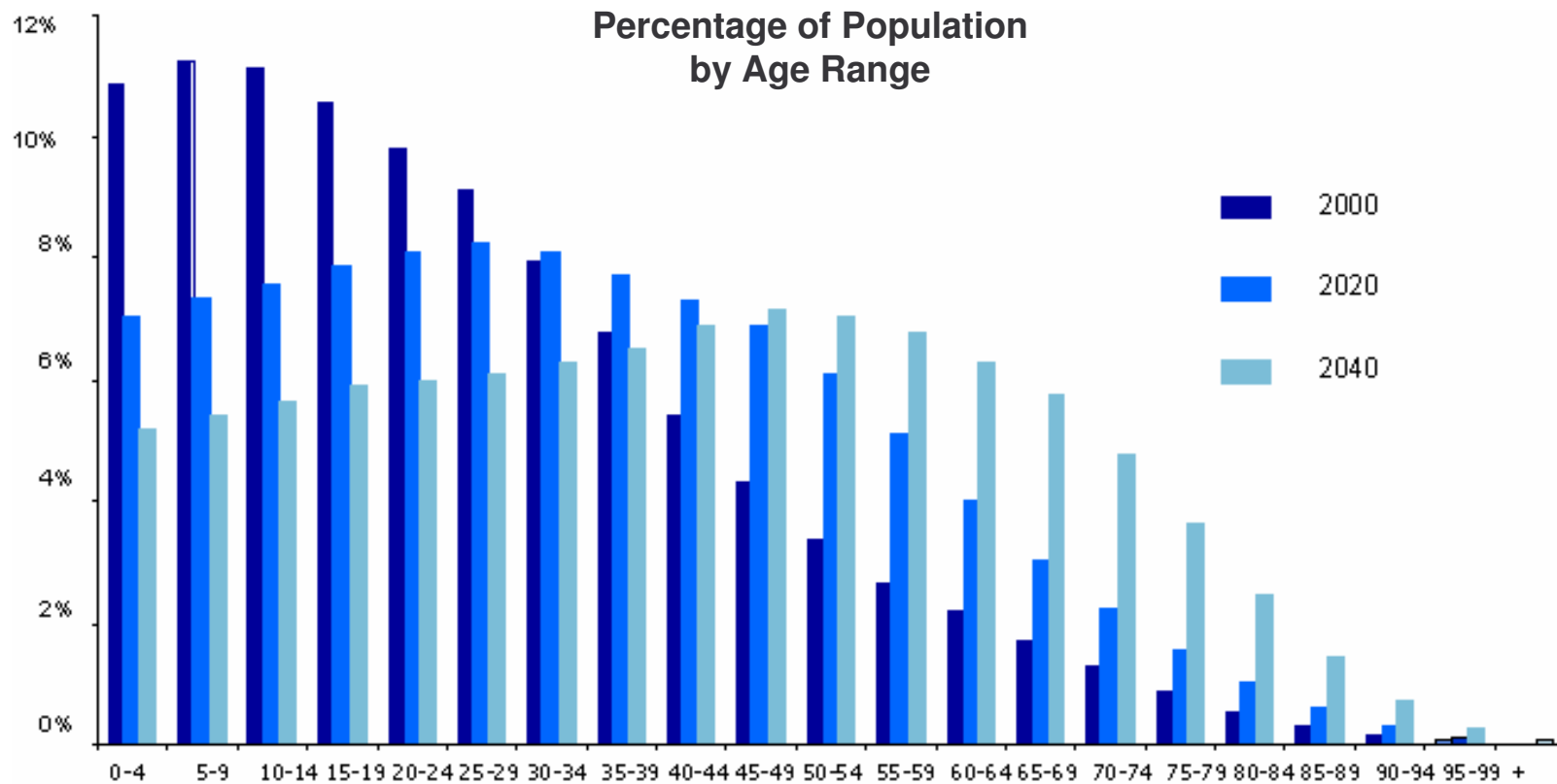


Source: ENEIH 2005

...and has not changed significantly over time.

* Where 0 corresponds to perfect income equality and 1 corresponds to perfect income inequality.

Mexico is in the midst of a demographic transition that poses serious challenges and opportunities



Source: National Population Council, CONAPO



Mexico will meet by 2015 most of the MDG's, but there are challenges in some areas

| GOAL | Progress by 2005 | Which areas need more work |
|--|------------------|--|
| 1. Eradicate Extreme Poverty and Hunger | Almost Achieved | Reduce Inequality |
| 2. Achieve Universal Primary Education | Achieved | |
| 3. Promote Gender Equity and Women's Autonomy | Good Progress | Increase participation of women in Congress/Senate |
| 4. Reduce Infant Mortality | Achieved | |
| 5. Improve Maternal Health | Some Progress | Reduce Maternal Mortality Rate |
| 6. Combat HIV/AIDS, Malaria, & Other Illnesses | Almost Achieved | Reduce # of HIV/AIDS diagnoses per year |
| 7. Ensure Environmental Sustainability | Almost Achieved | Protect forests and rainforests |
| 8. Promote a Worldwide Association for Development | Good Progress | Reduce unemployment rate for people between 15 and 24 years of age |

Source: The MDG's in Mexico, Progress Report 2006.



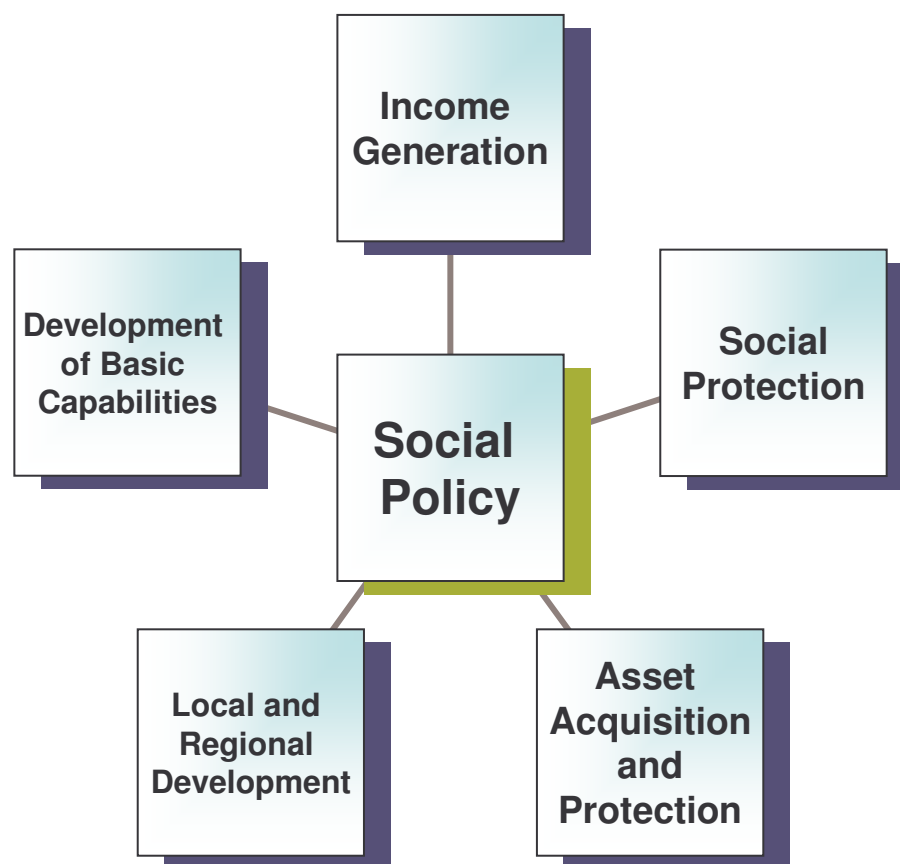
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II. Main Elements of Social Policy at the start of this administration (December 1 °, 2006)



Strategy



Programs for the Development of Basic Capabilities

Oportunidades Program

- It is a conditional cash transfer program focusing on nutrition, health and education.

Other Significant Aspects:

- Money is given to mother or woman head of household
- Scholarships are greater for girls than boys starting grade 7
- Scholarships increase with each grade
- Transparent, objective and measurable eligibility criteria.



Programs for the Development of Basic Capabilities

Benefits

- Cash transfer for food and other basic items
- Nutritional supplements for small children and pregnant and breastfeeding women
- Cash transfer for energy expenses
- Scholarships (from 3° grade elementary school to high school)
- Savings fund for beneficiaries who graduate from upper secondary school
- Cash transfer for the elderly (70 years +)



Conditions

- Participate in training talks on hygiene and nutrition.
- Scheduled preventive visits to health clinic by all family members
- School attendance
- Graduation from high school
- Family complies with first two conditions



Programs for the Development of Basic Capabilities

- **Milk Program:** Sells fortified milk at a subsidized price to the poor.
- **Food Support Program:** Provides basic food supplies to the families in poverty in communities not covered by the Oportunidades Program.
- **Rural Supply Program:** Guarantees and subsidizes the supply of food and other basic items in isolated rural communities.



Income Generation Programs

- **Productive Options Program:** promotes entrepreneurship and self-employment amongst the poor.
- **Other Actions:** Creation of the infrastructure required for the economic development of communities (paved roads, provision of electricity, sewerage and water, etc.)

Asset Acquisition and Protection Programs

- **Housing Program:** provides cash transfers to the poor for purchasing, building, or improving housing.
- **Land Ownership Regulation Program:** legalization and titling of land.



Social Protection Programs

- **Program for Migrant Farm Workers:** Provides housing, education, health care, child day care and other services.
- **Assistance to the Elderly:** Provides pensions and other services.

Local and Regional Development

- **Local Development Program (Microrregiones):** For rural areas; provides basic infrastructure, telecommunications infrastructure, roads, and local development.
- **Habitat:** Local development program for poor urban areas; provides infrastructure, urban planning and design, neighborhood improvements, job training for women, child day care, legalization and titling of land, and community development.



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III. New Strategies and Programs

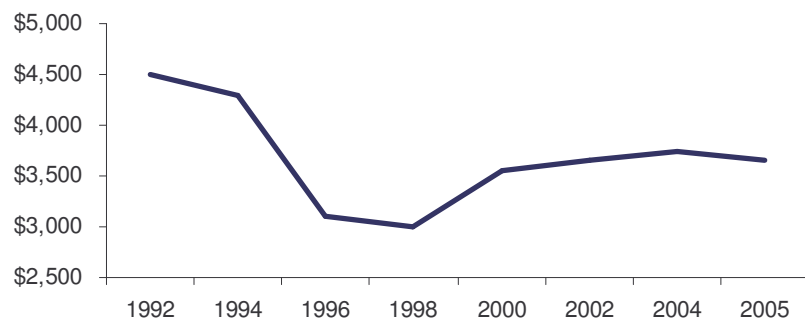


New Strategies

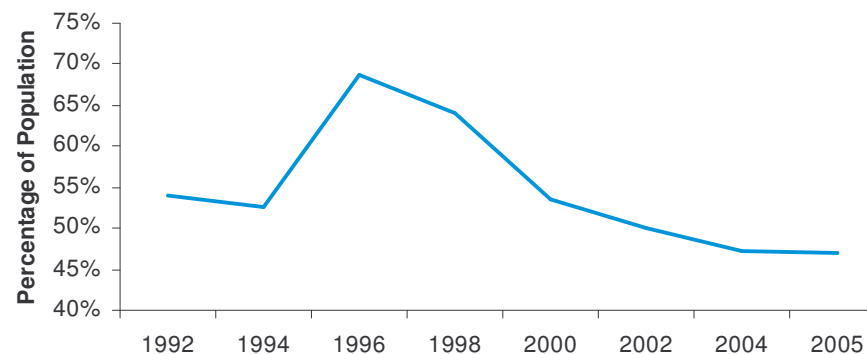
1. Focus on Income Generation and Employment
2. Strengthening existing successful programs
3. Boosting local development initiatives starting with the poorest communities.
4. Qualitative Changes

The Challenge of Income Generation

Average Earnings of Employed Population 1992-2005
(in pesos of August 2002)



Asset Poverty



- Average earnings of the employed population over time behave like a mirror image to the evolution of poverty, because 73% of the income of families comes from the labor market. So, it is reasonable to think that poverty cannot be reduced unless the income of families increases.

The Challenge of Income Generation

- Experience with some programs suggests that they have not led to important increases in income that permit families to leave poverty in a sustained manner. For instance:
 - **Oportunidades:** Low school drop-out rates, specially for girls, and improved health outcomes. But, few families leave the program because their real income (without the cash transfer) hasn't risen significantly.
 - **Local Development Program (Microrregiones):** Improves access to basic infrastructure and services, but has low impact on boosting economic activity.
 - **Productive Options Program:** Impact is limited because of insufficient training and lack of guidance for entrepreneurs . Success rate of projects is 16%.



1. Focus on Income Generation

- Redesign of the “Productive Options Program”
 - Greater emphasis on:
 - Building projects along a value chain to increase their profitability.
 - Training for entrepreneurs
 - Guidance of projects
- Improving linkages between programs
 - Facilitating access to the Productive Options Program to recent high school graduates from the Oportunidades Program.
 - Greater emphasis on the services that the Local Development Agencies provide in poor rural areas.

1. Focus on Income Generation

- Reconciling work and family life: large scale ambitious program to promote child care options for working mothers.
 - Objectives:
 - Support the creation of private day care centers in poor areas (productive project).
 - Subsidize day care center fees for working mothers (voucher-like scheme).
 - Establishing a national network of day care centers.
 - Since January 11, almost 2,000 new day care centers have been set up, enrolling 17,000 children and creating approximately 8,000 new jobs.

4. Qualitative Changes

- Program design and targeting to improve impact and increase efficiency
- Program impact evaluation
- Single database of beneficiaries of all the programs
- Geo-statistic information system
- Logical Framework documents for all programs
- Greater coordination for poverty reduction by the Office of the President

1. Focus on Income Generation

- Shift the focus of regional development strategies to go beyond providing basic infrastructure and services, to boosting local economic activity.
 - Local Development Program (Microrregiones) and 100 x 100 Strategy.
- Beyond Sedesol
 - **“First Job” Program:** Subsidizes social security fees during the first year of newly created positions in the formal sector.
 - **Rearrangement of Productive Programs:** this process is still in its initial stages and it aims to organize in an efficient manner the numerous microcredit programs for the poor that the Federal government offers.

2. Strengthening Existing Successful Programs

For Example:

- **Increase in the monetary transfer of the Oportunidades Program:** Additional cash transfer to assist families in paying for their energy needs and for shifting to more efficient and environmentally sustainable energy sources (e.g. reduce firewood consumption).
- **Ensuring that the Food Support Program adequately serves communities not covered by Oportunidades.**

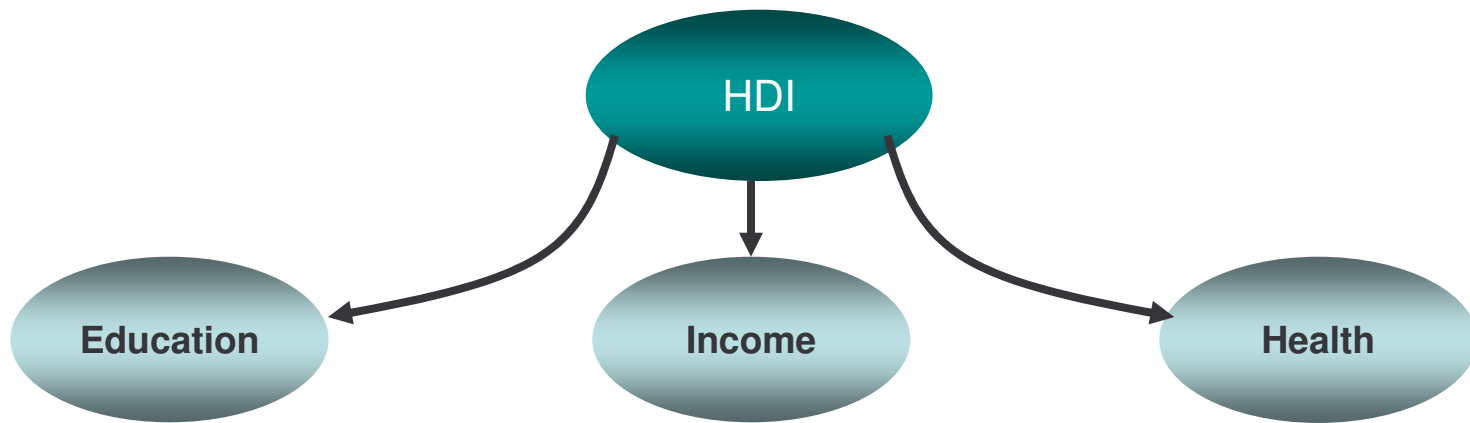


3. Boosting Local Development Initiatives Starting with the Poorest Communities

- **100 x 100 Strategy:** New strategy that aims to increase the human development index of the 100 poorest municipalities of Mexico.
- 14 Ministries and Agencies of the Federal government, 7 State governments and 100 local governments participate in this strategy.
- In addition to the provision of basic infrastructure and services the strategy focuses on increasing productivity in the communities, to expand economic opportunities.
- “Adopt a municipality” initiative. This is a scheme in which Universities participate by focusing the expertise of all their departments on improving the quality of life in their adoptive municipality.

E.g. The Business School mentors the local people on how to design a business plan and implement it, the Public Health Department promotes actions required to improve the health of the population, the Agronomy School helps increase the productivity of the crops, etc.

3. Boosting Local Development Initiatives Starting with the Poorest Communities



Educational Infrastructure

- 1. Schools
- 2. Access roads

Services

- 3. Oportunidades
- 4. Literacy
- 5. Shelters for Indigenous People
- 6. CONAFE and PRONIM Programs

Productive Infrastructure

- 7. Roads and Telecommunications
- 8. Electricity

Services

- 9. Productive Projects
- 10. Job Training, Savings Accounts and Access to Credit Programs
- 11. Local Development Agencies and Rural Business Incubators
- 12. Economic Activity Support Programs

Basic Infrastructure and Housing

- 13. Concrete Floors + Tap Water
- 14. Sanitary Services + Drainage System or Outhouse

Health Infrastructure

- 15. Hospitals, clinics, and mobile medical units.

Services

- 16. Seguro Popular
- 17. Oportunidades or Food Support Program
- 18. Rural Supply Program