



# ***Sickened Mexico***

## *Indications of a Totalitarian Regime*

October 2020

SIGNOS VITALES  
EL PULSO DE MÉXICO





Es una organización de la sociedad civil, apartidista, sin fines de lucro, regida por un Consejo conformado por personas con una trayectoria destacada, con alto nivel ético y profesional, que cuentan con un reconocimiento nacional e internacional y con un firme compromiso por los principios democráticos y de libertad. El Consejo está conformado por un Comité Ejecutivo, un Comité Asesor de Especialistas y un Comité Asesor en Comunicación, y la operación de la organización está coordinada por la Dirección Ejecutiva.

Entre sus principales objetivos se encuentra la recolección de información fidedigna e independiente sobre las variables claves de nuestra vida económica, política y sociocultural para diagnosticar, con un buen grado de certeza, el estado en que se encuentra el país.

Signos Vitales pretende servir como una luz que muestre la dirección que México está tomando a través de la difusión de reportes trimestrales, con alcance nacional e internacional, para alertar a la sociedad y a los principales tomadores de decisiones en el país sobre la amplia diversidad de problemas que requieren atención especial.



*Weak or absent pulse can have many causes and represents a medical emergency.*

*The more frequent causes are the heart attack and the shock condition. Heart attack occurs when the heart stops beating. The shock condition occurs when the organism suffers a considerable deterioration, which causes a weak pulse, fast heartbeat, shallow, breathing and loss of consciousness. It can be caused by different factors.*

*Vital signs weaken and you have to be constantly taking the pulse.*

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*“...today it is no longer enough, to tell the truth; moreover, lies must be destroyed, starting with those big lies that are manufactured with small truths and which are the worst lies, because they have the taste of truth”.*

Javier Cercas

Spanish writer

# Summary

## EXECUTIVE

Mexico is experiencing the worst political, health, and economic crisis in its modern history. Indicators show that Mexico is heading towards becoming a one-man country, mired in economic depression and with an increasingly impoverished, divided, and unequal society, without eradicating corruption, much less impunity.

The objective of the report “*Sickened Mexico: Indications of a Totalitarian Regime*” is to demonstrate this situation through the use of reliable information and accurate and timely indicators. The document is composed of two parts; the first one recounts the country’s standing in terms of governance, economy, and social aspects; showing timely monitoring of the

pandemic’s management. The second part presents seven alerts that, due to their importance, require urgent attention from the authorities, as well as a call for attention from society.

The text indicates how MEXICAN DEMOCRACY, WITH ALL ITS IMPERFECTIONS, IS THREATENED BY THE EXECUTIVE. The concentration of power from the Presidency has been accompanied by a series of legislative modifications to acquire at least nine legal capacities, among which are: the budgetary reorientation, the prosecution of crimes of ordinary jurisdiction through the National Guard, and the domain extinction under discretionary conditions.

Regarding the budget, only in 2019, 128 THOUSAND 960 MILLION MEXICAN PESOS WERE ALLOWED TO BE EXERCISED AT DISCRETION. It is expected that on this path, the President will dispose of around 140 billion Mexican pesos in 2020. On the other hand, the Executive has assigned the Armed Forces 13 complementary task. Hence its budget increased by more than 220 thousand million Mexican pesos due to the single construction of one of its 2020 projects.

The decrease in constitutional counterweights is summed to the attacks on the media, journalists, and opinion leaders who disagree with the government. From March to April, 39 assaults were registered against journalists and the media covering issues related to the pandemic; 74.4% of the attacks come from the State. An increasing intolerance from the President is perceived, and red flags have been lifted on a regime that shows signs of totalitarianism. These had not been seen in Mexico in more than a century.

Heightened by the catastrophic blow of the COVID-19 pandemic, THE ECONOMY IS EXPERIENCING THE WORST CRISIS ON RECORD. A fall in GDP of almost 10% is forecasted in 2020 and a prolonged recovery for the following years. Economic activity in 2020 will be similar to that recorded in 2014, and in per capita terms,

it will be at the level we had in 2010. The collapse in public and private investment, which began at the end of 2018, is currently at the level of 16 years ago (October 2004), which allows a glimpse of the reduction in future economic growth. The closure of almost half a million businesses, the loss of just under half of the income of two out of three households during the pandemic, the indebtedness of families, and uncertainty in the future will prevent a rapid economic recovery. We are facing a lost decade.

THE SOCIAL IMPACT IS ALSO DEVASTATING, AND ITS RAVAGES ARE ALREADY BEING FELT. Hundreds of thousands of families have lost a relative, and the return of millions of people to the labor market does not represent a return to their average income level. By July, 4 out of 10 people who were of working age faced unemployment, and more than 4 million people eligible to work, were not even looking for a job. Only 27% of the population have the peace of mind that they will obtain food, while 30% of adults have high anxiety levels.

The impact of COVID-19 has led to poverty to more than 12 million people, and the middle and upper classes have suffered decreases in their quality of life.

IN TERMS OF INSECURITY, THE INCIDENCE OF CRIME REMAINS HIGH. The homicides registered in the June-July bimester increased by almost 1% compared to the previous bimester, but the femicides in that same period increased by nearly 20% compared to April-May 2020. In the Global Impunity Index (IGI-2020), Mexico is ranked in the 60th place out of 69 countries.

REGARDING THE MANAGEMENT OF THE HEALTH CRISIS, THE SCENARIO IS EQUALLY CATASTROPHIC. As of September 26th, there are more than 76 thousand officially registered deaths. Given the underreporting, already widely documented, the number of deaths directly or indirectly related to COVID-19 is around 230 thousand people, which places Mexico in worldwide fourth place in absolute numbers and eleventh place per million inhabitants.

Health spending since 2012 has shown a decline reaching a mediocre 2.4% concerning GDP. Without an adequate budget, no substantive progress can be made in solving problems. Only six out of ten people have access to health services. Although the hos-

pital conversion to attend the pandemic seems to be successful (on September 26th, only 38% of the beds were occupied and 34% of beds with respiratory support), 42.5% of the total deaths in Mexico were recorded during the first four days after being admitted to a hospital and 86% after 15 days. Thus, hospital occupation will hardly be saturated. Also, 48% of the people infected with COVID-19 that enter an Intensive Care Unit (ICU) die.

Health workers remain very vulnerable. With a cut-off until the end of August, about 100,000 cases of infected health personnel and 1,320 deaths were confirmed. Of this number of deaths, 49% refer to medical personnel, 30% to other workers in the sector, and 17% to nurses, where Mexico City, Puebla, Veracruz, and Tabasco are the entities with the highest number of deaths. We estimate that the number of deaths of health personnel for September 16th would be more than 1,500, representing 2.04% of all deaths, and by December 31st, this number would rise to 2,936 deaths.

THE DISMANTLING OF GOVERNMENT CAPABILITIES IS EVIDENT. One thousand nine hundred eighty-six Deputy General Directorate level positions disappeared, but 96% of the savings will be achieved thanks to middle management cuts. The same for public servants' restriction from occupying similar jobs in the private sector for the next ten years (a four times higher condition than in the United States and three times more than in Europe). The destruction of government institutions is evident through a) subtracting budget from these institutions (5.6% on average), b) colonizing the governing bodies of the autonomous branches (appointments of people close to the President of the political party Morena), and c) disappearing institutions such as INEE and COFEPRIS. THE ARMED FORCES NOW CARRY OUT 13 ADDITIONAL ACTIVITIES THAT CORRESPOND TO A CIVIL COMMAND, and 62 thousand more elements will be added (of which 22% will be active). More than 54 thousand soldiers and 1,600 marines are assigned to security tasks.

Due to the contraction in demand for crude oil (of almost 10% at an annual rate at the international level) caused by the stoppage of economic activities and excess production, the Mexican oil mix price has plummeted to levels never seen before. Under this scenario, the results at the end of the year may be more

than catastrophic in the future, if we consider that from January to June 2019, said segment presented better results than now. Despite this, the company had considerable losses. During the second quarter of 2020, the losses are apparent. The company barely had a favorable gross return (5.6% compared to total revenues), but in real terms, the difference between the same period last year is -88.8%.

ONLY FOR THE EXPLORATION AND PRODUCTION SEGMENT, GROSS INCOME DECREASED BY 97.9%. This business line only obtained 1 Mexican peso of profit for every 100 Mexican pesos it sold; 99 Mexican pesos were costs.

59.6% of the companies had to stop their operations or had to a temporary close. Regarding size, 44.1% of large companies, 51.5% of small and medium-sized companies, and 60.3% of micro-companies had to close temporarily. Considering the type of activity, essential and non-essential, 42.1% and 57.9% respectively, had to close temporarily. More than 90% of companies that stopped activities showed a decrease in their income by 62.6%, and 76% faced a demand decrease of 59.6%. 60,283 SMEs (47% of those existing in Mexico) have a probability of bankruptcy greater than 50% in the next six months, and 53% of SMEs

have laid off at least one employee due to the health crisis, while 93% of companies in Mexico have not received any support from the government.

THE EDUCATION SECTOR PROGRAM IGNORES THE HEALTH CRISIS AND THE NEEDS IMPLIED BY THE “NEW NORMALITY.” The SEPs 24 billion Mexican peso budget increase (compared to 2019) is only due to the President’s priority programs, such as the Benito Juárez and Acuña scholarships. The alternative “Learn at home II” of open television education leaves 33% of the country’s households that do not count on this resource in total exclusion. In other words, 60% of primary-school-age children are not receiving any education, and the dropout rate at the upper secondary level for the 2020-2021 school year is expected to be 17.5%.

Although the implementation of social programs has, in theory, the objective of benefiting society on issues like poverty, on facts, the government and the strategy itself have fallen short in all aspects to achieve the goals initially set out in the programs. The operation of the social programs from the federal government is limited to granting money (scholarships or resources), which, although they will help the target population at some point, elements such as the quality of the programs, the availability of social benefits, or the access to services, are missing.

**The vital signs of the country clearly show us a seriously ill Mexico.**



# General Introduction

In Mexico, as in the rest of the world's countries, there is a complicated reality that, in many cases, it is difficult to notice and correct. 2020 served to give a vital lesson to humanity in general, but especially to those who have the opportunity to influence the quality and lifestyle of people. One of these lessons refers to the evidence that has been collected that reveals the importance of making the right decisions based on reliable, verifiable, and relevant information. Catastrophic scenarios we now see in many countries, including Mexico, could have been different if the benefit to the population had been taken as a basis and sustenance without putting the future of millions at risk.

The reality that the country is experiencing within the context of the pandemic, concerning confirmed cases and deaths from COVID-19, economic decline, obvious deficiencies in democratic progress and governance, shortages in medical supplies, deficient infrastructure, and limited equipment in practically all sectors, is shaping the lifestyle of the population for the next ten years. In the report: *The Pandemic in Mexico: Dimension of the Tragedy*, the way in which the virus would be diminishing many of the advances that the government had programmed for this 2020 is detailed. For this report: *Sickened Mexico with Indications of a Totalitarian Regime*, an account is made of the current panorama that Mexico presents, the evolution of the pandemic, and seven issues that

require urgent and precise attention from the government and society are examined.



This report is divided into two parts. The first includes a comprehensive diagnosis of the country's situation. The state of governance in the country is considered first, and specific indications are pointed out that show a path towards a totalitarian regime. The diagnosis's support is based on the evidence reported as alerts in the previous report and in the one we now present. We highlight the concentration of powers and capacity to handle large budgets in a discretionary manner that the Executive power has managed to pass in Congress; the intervention in the governance and performance of some of the autonomous constitutional bodies; the pressure on the private sector and the attacks on journalists, opinion leaders, and the media, as well as the continued corruption and impunity, among others.

This concentration of power and growing questioning of the democratic pillars occur amid the worst economic contraction on record. The most profound fall occurred in May, and its recovery occurred from June, at the end of the social distancing stage. The occupation stopped falling, it is recovering slowly, but more than half of households have had drastic reductions

in their income. Likewise, investment has also collapsed, allowing us to see that future growth will also be slow. We are facing a lost decade.

In this same sense, an analysis is included on the evolution of food shortages, **THE DEFICIENCIES OF THE HEALTH SYSTEM**, **THE PROSPECTS FOR EDUCATION** for this beginning of the school year, and the importance of the unfortunate widening of social gaps concerning most vulnerable populations. Finally, the current health situation and the evolution of the pandemic's public management are considered, after having surpassed what the health authority described at the time as a catastrophic scenario, reaching 60 thousand deaths.

The second part of the report expressly refers to a detailed analysis of seven alerts that address the axis of governance; economy, energy, and social development, which includes education and social programs.

The first alert refers to the **DISMANTLING OF GOVERNMENT CAPACITIES** that the Mexican State had carried out to build professional and technical bureaucracies capable of facing a modern government's challenges. This alert shows how this advance is under threat due to the federal government's various decisions.







A second alert focuses on the **DESTRUCTION OF SOME INSTITUTIONS**. It is evident how the slow but progressive construction and consolidation of democratic institutions in Mexico are threatened by a series of attacks that the federal government has given in almost two years of administration. The Executive power has used three very well-defined strategies: a) budget reduction, b) colonization of governing bodies of autonomous branches, and c) the disappearance and subordination of institutions.



An additional alert that is contemplated in the report is the one that has to do with the **NEW ATTRIBUTIONS THAT THE ARMY IS ACQUIRING NOT ONLY IN ADMINISTRATIVE MATTERS BUT ALSO BUDGETARY**. It is analyzed, in retrospect, how the Mexican Armed Forces have been required to carry out public security tasks since 2007. In the current administration, legal transformations were carried out to give certainty to the FFAA in their public security tasks. Also, the consistent process of militarization of the entire country is analyzed by assigning to SEDENA and SEMAR at least 13 new functions that, in principle, correspond to administrative branches of the federal government and that represent significant amounts of money.

The fourth alert refers to **PEMEX'S FINANCIAL SITUATION WITHIN THE COUNTRY'S DEVELOPMENTAL CONTEXT**. Due to the almost 10% reduction in demand for crude oil at an international level, caused by the stoppage of economic activities and the excess in production level, the price of oil has plummeted to levels never seen before. With the decrease in proven reserves, this scenario has represented losses from the extraction of crude oil to its refining. As a result of those mentioned above, oil production generated a gross loss of at least 82.5 million dollars for Pemex during April is addressed.



A crucial alert due to its impact on society is related to the unstoppable **CLOSURE OF COMPANIES**. More than 451 thousand companies in Mexico are on a technical strike, which implies that they have not opened their doors during the confinement and have not made any other effort to continue operating for different reasons. This scenario is the closest thing to bankruptcy. However, 47% of companies have a probability greater than 50% of closing their doors permanently in the coming months, a percentage that represents approximately 60,283 companies.



Therefore, formal and informal employment has fallen to its lowest rates ever recorded, as has been shown, and its recovery is prolonged.



A sixth alert refers to THE EDUCATION SECTOR PROGRAM'S CONGRUENCE AND SCOPE (PSE BY ITS ACRONYM IN SPANISH) IN MEXICO. The main inconsistency occurs when the 2020-2024 PSE completely ignores the health crisis and does not include the “new normal” educational needs. In this sense, the PSE goes from being a program that guides the priority objectives in education appealing for academic excellence and equity, representing an isolated, disconnected, and obsolete document in implementing new educational strategies.



Finally, the seventh alert analyzes THE MAIN SOCIAL PROGRAMS according to evaluations already carried out by CONEVAL (National Council for the Evaluation of Social Development Policy by its acronym in Spanish) and other parameters. The alert explores other elements to determine their performance and impact on vulnerable populations and possible political motivations that several of these programs have and have been used for electoral purposes. The government

also decided to keep the social programs they already had in operation without considering adjustments and impacts that the COVID-19 pandemic would bring. Social programs continue to be under public scrutiny, with questions about the way they operate, the few results they have produced, and their criticism of regulations. Without clarity in its structures and with a strategy lacking solid foundations, the government's social programs' implementation continues.

Thus, this report shows the vital signs of a sick Mexico that has the prospect of becoming a totalitarian regime. That is in the midst of a deep economic contraction with severe consequences regarding the poverty of millions of people, increased inequality, and ever-growing obstacles to social mobility.



## SECTION 1

# *Diagnosis of the country state*



# SECTION I

## Diagnosis of the country state



Almost two years after the President López Obrador's government started, and an absolute triumph due to of the desire of the majority of the population towards a government that: would combat corruption and impunity, would reduce insecurity, return the armed forces to their constitutional law tasks, advancing towards a more dynamic and inclusive economic growth, the country's condition shows that this path is not being followed. On the contrary, numerous indicators show that Mexico is heading towards becoming a one-man country mired in an economic depression. With an increasingly impoverished, distanced, and non-egalitarian society, without having eradicated corruption and much less impunity.

Mexican democracy, with all its imperfections, is stalked from power. Democratic institutions have been weakened, and some have even virtually disappeared due to the nullification of their effectiveness. Whether through punishment, intimidation, discretionary allocation, the withdrawal of public resources, or new appointments to key positions, the conditions are being created that strengthen the power and influence the Armed Forces while they undermine civil institutions. Along with this process, the government is simultaneously developing actions that weaken the civil and institutional actors that serve to oversee and as counterweights to the presidential power.



The result is a worrying trend towards the concentration of public power in a single person, sustained by the Armed Forces, in an increasingly clear militarization process of the State.

The economy is experiencing the worst crisis in memory, exacerbated by the catastrophic blow of the COVID-19 pandemic. Its repercussions will last for many years due to business closures, loss of savings and capital, and uncertainty in the future. The economic activity levels per person registered in 2018 will not be achieved again until after several years. We are facing a lost decade.

The social impact is also devastating, and its ravages are already being felt. Hundreds of thousands of families have lost a loved one, there is a general deterioration in family income, food security, physical and mental health, crime at home, among many others. This health crisis will mark a whole generation, and it will impact the growth of babies with nutritional deficiencies during their early childhood. It will leave gaps in the education of millions of children and young people. It will increase the vulnerable population that neither studies nor works and will not have the ability to develop a healthy and productive life.

Thus, the country's condition in the third quarter of 2020 is delicate due to the pandemic's situation and the vital signs that clearly show a sick state's symptoms.



*Image:* AP Photo/Marco Ugarte. In <https://www.infobae.com/america/mexico/2020/06/06/organizaciones-alertaron-a-mexico-por-aumento-de-contagios-de-covid-19-en-ninas-ninos-y-adolescentes/>.

## 1 STEPS TOWARDS TOTALITARIANISM, SYMPTOMS OF A SICK DEMOCRACY

Two years after the 2018 elections, the new Mexican political context is characterized by a potent concentration of presidential power, progressive national militarization, and a marked weakening of civil institutions that complement the press's consistent attack from the daily press conferences called "mañaneras" (morning talks). The party system's crisis, poor results in terms of security, health, poverty, corruption, and strain between various State powers, including the Autonomous Constitutional Bodies (ACB), complement the scenario.

The legitimate victory of Andrés Manuel López Obrador, the majority of MORENA in the Federal Congress and most local Congresses, has limited the capacities that both the ACB and the local governments have to restrict the power of the federal executive. Simultaneously, the Judiciary's independence and, specifically, the Supreme Court of Justice of the Nation have been publicly put to the test. Also, political parties have not improved their perception and credibility among citizens, a phenomenon that strongly

weakens democracy as a whole in the face of the 2020-2021 electoral process.

The new majorities have served the President to carry out a series of transformations that, according to the evidence, have strongly weakened national democracy. The current budget discretion, the use of the armed forces for multiple tasks unrelated to the country's foreign security, and the colonization and reduction of the autonomous branches are symptoms of a political system in crisis that must be monitored to prevent it from falling into the shadow of the authoritarianism that the country already went through decades ago.

## PRESIDENTIAL CONCENTRATION AND BUDGET POWER

As previously reported, the President of the Republic has carried out a series of legal transformations that have endowed him with capacities in the fields of security, budget, and competence that have allowed him to strengthen the Armed Forces, weaken the civil government, put intense pressure on both the autonomous sectors and the private sector as well as some media and journalists. Among the most significant changes, due to the powers they transfer, are the creation of the National Guard Law, the General Law of the National Public Security System, the National

Law on the Use of Force, the National Registry Law of Detentions, and the Federal Law of Republican Austerity, as well as the reform of the penal code and the Federal Law of Budget and Fiscal Responsibility. By these means, the President acquired at least nine legal capacities, including budgetary reorientation, the prosecution of crimes of the common jurisdiction through the National Guard, and asset seizing under discretionary conditions (Table 1).

*Image:* AMLO Cabinet. In <https://tinyurl.com/y5po8at3>.



**TABLE 1. NEW LEGAL CAPACITIES OF THE FEDERAL EXECUTIVE**

Federal Law on Budget and Fiscal Responsibility	It empowers the President of Mexico to redirect the savings obtained from the budget allocation unilaterally.	Article 61
Federal Republican Austerity Law and Decree establishing the austerity measures to be observed by the agencies and entities of the federal public administration under the criteria indicated therein.	The President can redirect and spend in a unidirectional way 75% of sub-exercises of the items of materials and supplies and general services of all administrative branches due to the COVID health crisis.	Article 2 (Decree)
National Guard Law	<p>“Invading responsibilities that were typical of various powers and levels of government. The President, through the National Guard, can now:</p> <ul style="list-style-type: none"> <li>» Address illicit federal and local jurisdiction activity.</li> <li>» The National Guard (GN), for its acronym in Spanish, can investigate crimes.</li> <li>» Carry out crime prevention research, carry out verification tasks to prevent administrative infractions, request the georeferencing of mobile equipment, request communications intervention, collect information in public places, ask and request information from authorities and individuals, and analyze and process information.</li> </ul>	Articles 7 and 9
National Seized Assets Law	Seize private property assets under assumptions that they may violate the constitution, such as when an individual can not thoroughly verify the goods’ legitimate origin in dispute.	Article 7 and Article 9 numeral 4
Federal Law on Remuneration of Public Servants (LFRSP for its acronym in Spanish)	Violate labor rights through the reduction of public officials’ salaries.	Article 6
Federal Penal Code	Penalize officials who receive salaries that exceed the salary that corresponds to the President of the republic.	Articles 217 and 217 bis (Declared unconstitutional by the SCJN (Supreme Court of Justice of the Nation)
National Law on the Use of Force	"Use of epithelial force, allowing the use of less-lethal weapons or firearms to neutralize the aggressors and protect law enforcement personnel and bystanders’ well-being, with a high probability of seriously damaging the aggressor.	Art. 6, fraction VI
	Using weapons against those who participate in public protests or meetings classified by the authority as without clear grounds, as not peaceful or lacking a lawful purpose.	Art. 27
	The entities in charge of guaranteeing public safety are allowed to use all levels of the available force, including the use of firearms and lethal force in cases where, at the judgment of the force’s executors, the demonstrations are violent.	Art. 28
National Law on the Registry of Detentions	The permanent Armed Forces are authorized to carry out and have a log of arrests.	Art. 19 5th transient

*Source:* In-house elaboration with information from the LFPRH, (Federal Law on Budget and Fiscal Responsibility) LFAR, (Republican Federal Austerity Act), LGN, (National Guard Law), LNEA, (National Law on Seized Assets), LFRSP, (Federal law of responsibilities of public servants) CPF, (Federal Penal Code), LNRD, (National Law on Detention Registration) and LNUF, (National Law on the Use of Force).



The modification to article 61 of the LFPRH empowered the President of Mexico so that the “savings” obtained thanks to the allocation of spending established in the Federal Republican Austerity Law (LFAR) can be directed, by the exclusive decision of the executive, to any site in the federal administration, without the need to justify to the Ministry of Finance the reasons why budget reallocation would promote compliance with the National Development Plan. In other words, López Obrador will be able to make use of the budget without any counterweight. This within a context in which the government maintains surpluses in tax collection and carries out multiple modifications in the exercise of public expenditures. Only in 2019, 80 thousand 621 million pesos more than expected were collected, and ten federal agencies and non-sectorized entities added total sub-exercises equivalent to 48 thousand 339 million pesos.

In addition to the reform to the LFPRH, the federal executive signed a decree that mandated “not to exercise 75% of the available budget for general services, materials, and supplies” amid the health emergency. The President is expected to dispose, at his discretion, around 140 billion pesos.

## STRENGTHENING THE ARMED FORCES

The strengthening of the Armed Forces is another of the extraordinary steps that the current government has taken in the opposite direction to strengthen civil institutions. Despite the multiple signs of failure that the militarization strategy has had to combat security problems, the current administration substantially deepened the permits for both the Army and the Navy to carry out tasks that correspond to the local police forces. Also, the National Guard was created which, although formally civil, is mainly made up of the military and has a legal framework that allows it to carry out:

1. Investigations in crime prevention,
2. Carry out verification tasks to prevent administrative infractions,
3. Request georeferencing of mobile equipment,
4. Request communication interventions,
5. Gather information in public places,
6. Require and request information from authorities and people,
7. Analyze and process information,
8. Use of weapons against those who participate in

public protests or meetings that are classified unilaterally by the administration as not peaceful or lacking a lawful purpose,

In addition, all agents in charge of public security may make use of all levels of the public force.<sup>1</sup>

At the same time, the President assigned at least 13 complementary tasks to be carried out by the Armed Forces, among which are: the construction of the Felipe Ángeles airport, the construction of the Banco del Bienestar (Bank of well-being) branches, the construction of barracks for the National Guard, the remodeling of hospitals, the construction of 2 sections of the Mayan Train, the fight against the huachicol (illegal extraction of gasoline from underground ducts), the implementation of the surveillance plan on the northern and southern borders, the control of ports and customs, the distribution of fertilizers and the surveillance in the delivery of resources from social programs. Of course, these new responsibilities imply a significant amount of public money that the

<sup>1</sup> The NHRC filed lawsuits of unconstitutionality against the General Law of the National Public Security System, the Law of the National Guard, the National Law on the Use of Force and the National Law of the Registry of Detentions. These lawsuits have not been resolved yet.

Army and Navy will exercise. Only the Armed Forces' budget and the amounts approved for the five infrastructure projects under its charge add up to just over 220 thousand 500 million pesos in 2020.

**Only the Armed Forces' budget and the amounts approved for the five infrastructure projects under its charge add up to just over 220 thousand 500 million pesos in 2020.**



*Image: Armed Forces build branches of the Wellbeing Bank. In: <https://tinyurl.com/y67p5waj>.*

In contrast, the 2021 Federation Expenditure Budget Project (PPEF) for its acronym in Spanish, contemplates a significant reduction of almost 4 billion pesos to strengthen security at sub-national levels. In other words, while the armed forces' budget increases, civil corporations' budget is reduced. This trend will make it difficult for the Army and Navy to withdraw from public security tasks in 2024, opening up a clearly militaristic state. It is worth mentioning that, like the armed forces, the National Guard (GN) has carried out a series of interventions that have highlighted the coercive use they have been put through. An example is the use of the GN to detain migrants en masse. As shown in the "Migration Containment" section of the report *The pandemic in Mexico*, the dimension of the tragedy, the GN interventions in this area seem to respond to pressure from the US government and have been criticized for systematically violating human rights. Another high-profile case still under investigation is the recent confrontation in Chihuahua between the GN and farmers who sought to prevent water extraction from the La Boquilla dam. This event recorded armed combat that left two civilians dead.

Finally, the President also decided to replace civilians with soldiers and marines, whom he has accommodated in administrative positions of non-military



*Image:* "The elements were deployed on the Suchiate River." Photo: Darkroom in <https://www.milenio.com/estados/guardia-nacional-refuerza-seguridad-frontera-sur-mexico>.

institutions, such as the Administration and Finance Directorate of the Institute for Social Security and Services for State Workers (ISSSTE) for its acronym in Spanish, whose head is the retired Major General, Jens Pedro Lohmann. The same situation occurred with the Directorate of the Integral Port Administration of Veracruz, headed by Admiral Romel Eduardo Ledezma Abaroa. All these elements together show an accelerated process of national militarization that, although not new, has deepened significantly in the last two years. If it continues, that could move us towards a militaristic system in which the Armed Forces influence the government's functioning and political decisions.

## A WEAKENING OF INSTITUTIONAL CHECKS AND BALANCES SYSTEM

In contrast to the strengthening of capacities in the Armed Forces hands, civil institutions have been systematically weakened through:

1. The budget reduction,
2. The colonization of the directive/executive bodies of autonomous branches and,
3. The disappearance of uncomfortable institutions.

In the 2020 budget, the FGR (Attorney General of Mexico), INE, (National Electoral Institute), INAI, (National Institute for Transparency, Access to Information and Personal Data Protection), COFECE, (Federal Economic Competition Commission), CNDH, (National Human Rights Commission), and IFT, (Federal Telecommunications Institute) suffered, on average, budget reductions of 5.6% concerning the PPEF (Draft Budget of Federation' Expenditures), of the same year. In the current administration, positions have been renewed at the top of 11 autonomous constitutional bodies and the SCJN. It is presumed the President managed to impose “his own people” in at least

six of these institutions, including the SCJN, which experienced the replacement of three seats in 2018 and 2019. The Court has received significant public attention. Many of the current President's legal changes have been identified as illegal or even unconstitutional by various opposition actors, autonomous constitutional bodies such as the CNDH, and federal administration members (Table 2). So far, the SCJN has not ruled on the constitutionality of nine laws and three expenditure budgets, despite the time elapsed since the entry of the respective constitutional controversies and claims of unconstitutionality on the judicial process. The resolution that the Court takes in several of these matters will set the course for our political system's nature.

**So far, the SCJN has not ruled on the constitutionality of nine laws and three expenditure budgets, despite the time elapsed since the entry of the respective constitutional controversies and claims of unconstitutionality on the judicial process.**

**TABLE 2. CONTROVERSIAL ACTIONS AND SUED FOR UNCONSTITUTIONALITY**

CONSTITUTIONAL CONTROVERSIES	REASON
Law on Remuneration of Public Servants	The potential violation of labor rights acquired by public officials.
General Education Act	Lack of clarity in the transfer of educational resources from the federation to the federated states.
Organic Law of Public Administration	The federal government's Invasion of local governments' capacities and powers, since parallel to the Stateities authorities, are created.
Federal Republican Austerity Law	A violation of labor rights, such as some public officials' restrictions on working in the private initiative and reducing wages.
Budgets for 2018 and 2019	Violating the autonomy of Autonomous Constitutional Bodies.
Actions of unconstitutionality	Invading the faculties of the Legislative Power, which is responsible for budget reallocations.
National Seized Assets Law	Vices of constitutionality are indicated by discretion to exercise the Seize of assets and properties whose legitimate origin cannot be verified.
National Security Law	The rights to legal security, personal freedom, freedom of movement, and due process are deemed violated. The principle of the presumption of innocence. The principle of legality in its specificity aspect, the principle of minimal intervention in criminal matters, and informal preventive detention's exceptionality.
National Guard Law	Because the following rights are deemed violated, rights to legal security, the right to intimacy, the right to privacy, the right of the protection of personal data, the right of personal security, the right of personal integrity, the right to equality and non-discrimination, the right of freedom of work, the right to hold a position or employment in the public service, and the right to rest from work
National Law on the Use of Force	The rights to legal security, freedom of expression, and freedom of assembly, as well as the principle of legality and the obligation to protect and guarantee human rights, are deemed violated.
National Law on the Registry of Detentions	The rights to legal security, the principle of legality, the immediacy principle in registering arrests, and the obligations to promote, respect, protect, and guarantee human rights are deemed violated.

Source: In-house elaboration with information from the SCJN

## PRESSURE ON THE MEDIA AND JOURNALISTS

Another sign of growing authoritarianism is the attack on the press through stigmatization and hostility. In Mexico, most of the attacks continue to be of a state nature, and as the current administration progresses, the public disqualifications made by the President are normalized.

**Between January and July 2020, at least 541 stigmatizing attacks were recorded against any media or journalist by the President of Mexico or any cabinet members during the morning press conferences.<sup>2</sup>**

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<sup>2</sup> Own accounting of Vital Signs, from the morning press conferences.

Between March 12th and April 27th alone, ARTICLE 19 documented 39 attacks against journalists and media that covered pandemic related issues. 74.4% of all these attacks came from the State. The entities with the highest number of these attacks were Puebla, CDMX (Mexico City), and EDOMEX (Mexico State). The primary attacks were: intimidation, physical attacks, information blackouts, and stigmatization by public officials.

As mentioned in the section “Control over public expression” of our report *The Pandemic in Mexico, the tragedy’s dimension*, one of the main instruments to restrict freedom of expression, is the factious use of government official advertising resources. Until today, no law effectively regulates the distribution of official advertising resources, establishing clear and transparent criteria on the matter. Due to this absence, the federal government distributes public resources in a discretionary and disproportionate way to the media and can establish punishments without having well-defined parameters. That is the case of the NEXOS magazine, which received a sanction on



August 18th. It was notified about its disqualification to enter into contracts with the federal government for two years, in addition to which it must pay a fine of 999,440 pesos.<sup>3</sup>

In the resolution issued by the Ministry of Public Function, it was argued that because the magazine NEXOS, between 2012 and 2018, obtained contracts with the entire Federal Public Administration for a total amount of 85 million 257 thousand 247 pesos, the Ministry weighed this figure to establish the corresponding sanctions. ARTICLE 19 and FUNDAR organizations argued that this measure is disproportionate and violates article 22 of the constitution. For a contract of 66 thousand pesos, a fine representing 1,350% of that amount was established. A tricky argument was constructed that led to the belief that all contracts entered into between NEXOS and the public administration were neither compliant nor adhered to the corresponding laws.

ARTICLE 19 also stated<sup>4</sup> that when comparing this with other administrative sanctions, such as the one established for the company Cyber Robotics Solutions that belongs to the son of the Director of the Fe-

<sup>3</sup> <https://tinyurl.com/y67k6how>

<sup>4</sup> Resolution on Nexos magazine represents an indirect censorship mechanism. <https://tinyurl.com/yy24v5do>



Image: in <https://notigram.com/destacada-2/siguen-las-mananeras-no-se-cancelan-nos-que-rian-censurar-refiere-amlo-20200903-272444>

deral Electricity Commission (CFE) acronym in Spanish, Manuel Bartlett, different treatment is observed. León Bartlett's company received a fine of about 2 million pesos for a contract of 28 million 571 thousand pesos, in which the costs of medical respirators sold to the federal government were inflated.

Likewise, violence against journalists in the digital arena represents a threat to freedom of expression. Both Signa Lab and ARTICLE 19 have warned about the existence of automated account networks capable of

producing fictitious tendencies for or against a subject or person.<sup>5</sup> One of those networks was “RedAMLOVE,” a digital army that has attacked dissidents of López Obrador’s policies and the federal government itself.

In 2019, this network managed to establish various hashtags that attack the media and journalists. Some of the most famous keywords were #ReformaTodoLoDeforma, (#ReformaDeformsEverything) #PrensaSicaria, (#HitmanPress) #PrensaCorrupta, (#CorruptPress) and #PrensaProstituida, (#ProstitutedPress). The first became the first national trend in the social network. Another of the known cases was that reported by Article 19, Signalab and Aristegui Noticias, which shows a set of atypical behaviors by various Twitter accounts that maintain too high an activity that in some cases includes systematically retweeting positive comments about the state news agency NOTIMEX, and others, consists of attacking, jointly and from different accounts. These journalists have criticized the agency and its directors.

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<sup>5</sup> Article 19. Disonancia: voces en disputa (March 2020). Available at: <https://tinyurl.com/ybllo3e2>, Signalab. Democracy, freedom of expression and the digital sphere. Analysis of trends and typologies on Twitter, the case of #REDAMLOVE. (February, 2019). Available at: <https://tinyurl.com/y6e9facf>

In recent weeks, the harassment to the intellectuals Héctor Aguilar Camín and Enrique Krauze by the Director of the Economic Culture Fund, José Ignacio Taibo II, who ordered them to remain silent or seek another country of residence, has deepened. No one from the government made any clarification that it was Taibo’s personal opinion and did not represent the federal government. In this harassment atmosphere, on September 18th, a group of more than 650 intellectuals, academics, and civil organizations members signed a display entitled “This has to stop,”<sup>6</sup> which was reviled the following days by President López Obrador.<sup>7</sup>

## PRESSURE ON PRIVATE INITIATIVE

In addition to intense pressure against the press, the fourth transformation government has occupied the Mexican State institutions by disciplining a large part of the Mexican business community’s elite. Using the Financial Intelligence Unit, directed by Santiago Nieto, investigation files have been selectively initiated

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<sup>6</sup> <https://tinyurl.com/y4weaeeg>

<sup>7</sup> However. They feel offended! When they should apologize, says AMLO to more than 650 undersigning. (September 18th, 2010). Available at: <https://tinyurl.com/y5j2thq6>



against business people who are not amicable to the current government. Until December 2019, the FIU, Financial Intelligence Unit (UIF for its acronym in Spanish) filed 169 complaints with the FGR.

One of the most illustrative scenes about the relationship between the Mexican head of State and the business elite was the dinner organized by the former in the National Palace on February 12th, 2020, in which 75 businessmen pledged, in their own words, to buy more than 3 million tickets for the “presidential plane raffle,” that is, more than half, which would be equivalent to around 1,500 million pesos.

The SAT (Tax Administration Service) has also “managed” to withdraw several large companies from ongoing tax litigation in a “unilateral” manner and settle taxes in the judicial process. Similarly, with the disputes of Femsa that agreed to pay 8.79 billion pesos, Walmart that paid 8 billion, BBVA about 3.2 billion, Grupo Modelo 2 billion, América Móvil 8.29 billion, IBM 669 million, and Fresnillo Mining that paid 4.9 billion.<sup>8</sup>

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<sup>8</sup> Forbes Mexico. BBVA, Femsa and Walmart square up with the SAT: they pay 35,000 million pesos in back taxes (September 10th, 2020). Available at: <https://tinyurl.com/yx-8v8s4p>



*Image:* presidency/cuartoscuro.com In: <https://www.infobae.com/america/mexico/2020/02/13/la-cena-de-lopez-obrador-con-empresarios-fue-un-pase-de-charola-al-estilo-de-salinas-denise-dresser/>.

A relevant variable to understand the government’s ability to take measures against some businessmen is the reform of the National Law of Seized Assets, enabling the government to execute asset seizing over those assets of a patrimonial nature whose legitimate origin cannot be credited.<sup>9</sup> This provision transfers the burden of proof to the accused, not the accuser.

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<sup>9</sup> Article 7 of the National Seized Assets Law. <https://tinyurl.com/y6mfxayz>

## THE ABSENT OPPOSITION

Concerning political parties and the opposition, it can be said that their strength is a good sign of democratic health. Political parties are the institutions that collect the citizenry's needs and aspirations and translate them into electoral agendas that, if they win, will define the State's policies. In other words, the parties are the primary medium between citizens and the government. While these institutions have never enjoyed great popularity in democratic Mexico, the 2018 concurrent elections clearly discredit almost all parties. MORENA was the only party that achieved a high vote in the presidential elections, legislative elections, and many local elections. Despite this, the Latinobarómetro 2018 report shows that only 11% of Mexicans trust political parties. In turn, MORENA has had relevant decreases in electoral preferences towards the 2020-2021 electoral process, and opposition parties continue to lack significant growth in their levels of citizen trust. Electoral preferences remain mostly undefined.<sup>10</sup>

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<sup>10</sup> <https://tinyurl.com/y4repf30>.

Likewise, the formal oppositions in the country have fallen into the trap of polarization. They have not been able to activate all the instruments designed to serve as counterweights to the federal government. A dozen local governments formed the “Alianza Federalista” (Federalist Alliance), and have initiated various actions outside the federal government. This group has entered into a discursive confrontation with the federal executive, which has been fundamentally based on disagreement with the resources distribution, safety intrusion, education, and health competencies. Likewise, some autonomous constitutional bodies have complained of constant budget cuts, as has the Judiciary. The maximum tension in the relationship between governors and the President occurred on September 7th when the Federalist Alliance members announced their decision to leave the Conago (National Conference of Governors). They argued that they do not see in it real possibilities for democratic exchange, so they will seek to build an alternative space capable of counterbalancing the federal government.<sup>11</sup>

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<sup>11</sup> 10 governors of the Federalist Alliance announce their departure from CONAGO. <https://tinyurl.com/y6xwpjd9>

## CORRUPTION AND IMPUNITY

The fight against corruption and impunity, one of the President of Mexico's historical struggles, has not shown improvement and has been used for propaganda purposes. The Global Impunity Index Mexico 2020 (igi-2020) places the country in 60th place out of 69 countries, where the first place is the country with the least impunity and the 69th with the highest. Mexico is the ninth worst-rated country, only after Kyrgyzstan, Nepal, Guyana, Paraguay, Azerbaijan, Algeria, Morocco, Honduras, and Thailand. This rate is due, in part, to the bureaucratic and institutional deficit of the Mexican State. While among the countries studied in the igi-2020, the average number of judges per 100,000 inhabitants is 17.83; in Mexico, there are barely 2.17 judges per 100,000 inhabitants.

The security system also presents a deficit for Mexico. Data from the SESNSP (Executive Secretariat of the National Public Security System) show that the current State of the police's minimum force status in Mexico is 1.05 per 100,000 inhabitants when the international average is 1.8.<sup>12</sup>

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<sup>12</sup> <https://tinyurl.com/y3qoswq5>.

Despite the formal autonomy of the Office of the Attorney General of the Republic, there are doubts about its independent action in cases of national importance. The most notorious case is that of the former Director of PEMEX, Emilio Lozoya. In short, the prosecution of high-level corruption crimes is a relative novelty in Mexico. Still, the judicial process followed for the "Lozoya case" does not comply with due process and seems to have electoral purposes for 2021. The appearance on August 20th of a video in which the President's brother, Pío López Obrador, received bags of money in 2015 from David León, then advisor to the Chiapas government and until then a high-ranking official of the current government, apparently stopped the intensive use of the Lozoya case to threaten former President Enrique Peña Nieto and some of his officials.<sup>13</sup>

**The judicial process followed for the "Lozoya case" does not comply with due process and seems to have electoral purposes for 2021.**

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<sup>13</sup> <https://tinyurl.com/yyn7cmta>.



*Image:* “Lozoya feels betrayed by EPN and Videgaray”. In: <https://polemon.mx/lozo-ya-se-siente-traicionado-por-epn-y-videgaray-fgr-ya-lo-persigue-por-odebrecht/>



*Image:* “Why the money deliveries from David León to Pío López Obrador”. In: <https://www.infobae.com/america/mexico/2020/08/21/por-que-las-entregas-de-dinero-de-david-leon-a-pio-lopez-obrador-serian-ilegales/>

In this context, the President has gone further and threatens to completely politicize justice administration by proposing a popular consultation to decide whether to prosecute former presidents. This politicization violates the most elementary parameters of the rule of law since justice cannot be subject to popular decisions. Also, Article 35 of the Constitution, section VIII, establishes that for no reason may popular consultations that contravene human rights be held.<sup>14</sup>

<sup>14</sup> For a legal analysis of the presidential initiative to prosecute former presidents, see Pedro Salazar’s column from September 16th, 2020. <https://tinyurl.com/yxnyhr3y>

Despite this, on September 15th, the Legal Counsel of the Presidency delivered to the Senate a request to carry out the consultation in this regard, which was referred to the Supreme Court of Justice of the Nation (SCJN, for its acronym in Spanish). On September 24th, the draft resolution submitted by Minister Luis María Aguilar states that the question posed and the consultation’s purpose are unconstitutional. We will have to wait for the ruling of the plenary session of the SCJN.

## ELECTORAL PROCESS 2020-2021

Although elections to be held in 2021 will concentrate media's attention, due to their size and the possible effects on the composition of a large part of the Mexican State, in 2020, Coahuila and Hidalgo were supposed to have elections too. Still, they were postponed due to the COVID-19 contingency. These electoral rounds will be the first relevant tests for the new General Council of the INE (National Electoral Institute), which for the first time in history, will introduce electronic voting and will provide an early sample of the behavior that can be expected from the parties in this year's elections.

In organizational terms, the elections will have other relevant challenges, among which the need to convince a sufficient number of citizens to act as poll workers and others to lend their property to install polling stations stands out. Although this has always been achieved in previous election rounds, the fear of catching COVID-19 can inhibit citizens' collaboration in these tasks. This task will be the first significant responsibility of the new INE, which decided to attract both elections.

The 2020-2021 electoral process can dramatically modify the correlation of political forces in the country. Fifteen governorships will be elected, all 30 local Congresses, all seats in the Chamber of Deputies, and about 2,000 mayors. In other words, although the President's party is the primary force in most of the country's legislative powers, including the federal one, 2021 represents an opportunity for citizens to evaluate the behavior and results of the current administrations, mainly the federal one.

In terms of electoral competition, the INE ruled on the admission and rejection of various political organizations' applications to formalizing themselves as political parties. On Friday, September 4th, 2020, in a session of the General Council of the INE, the project of the commission of prerogatives and political parties was discussed, in it, a day before, it was endorsed to grant the registration as a political party to both México Libre and the Encuentro Solidario Party. After various councilors argued about the risks associated with approving the creation of political parties that do not respect certain elementary principles of the law –such as keeping members of the



clergy out of political participation or making the resources they occupy to carry out their duties transparent, by majority vote– the INE leadership decided only to grant registration to the Encuentro Solidario Party, which will be able to participate in the 2020-2021 electoral process.

For its part, Congress's lower house represents the primary democratic battle in terms of counterbalance; because of this, the opposition forces will seek to unite with it to contain the presidential power. Furthermore, the 15 governorships at stake will be crucial, as some local executives have emerged as the federal government's leading opponents. It is worth mentioning that the inclusion of new players in the electoral arena will affect the distribution of votes and could even fragment the opposition vote, and allow the winner to emerge victorious with a relatively low percentage of votes.

A final challenge worth mentioning is related to the political campaign model. Due to the health contingency, political parties and candidates may focus their electoral efforts on social media, which is teeming with *fake news*. The reaction of citizens will remain to be seen.

**Congress's lower house represents the primary democratic battle in terms of counterbalance; because of this, the opposition forces will seek to unite with it to contain the presidential power.**



Image: [www.ejecentral.com.mx](http://www.ejecentral.com.mx) In <https://tinyurl.com/y4jrtzof>.

## 2 A LOST DECADE IS ON THE HORIZON — ECONOMIC OUTLOOK.

The world economy and the Mexican economy are going through the worst economic crisis in modern history. For Mexico, the crisis is the largest since there is a record of macroeconomic history. Estimates of output growth continue to show a year of substantial economic reduction, although the pandemic has been better controlled in some countries than in others and that countercyclical measures have been applied to mitigate the supply and demand crisis. The forecasts for some countries have also worsened in the last two months, particularly for Mexico. Currently, the predictions for 2020 indicate that the world economy will be reduced by 5.2% in 2020 and will recover in two years (Table 3). Some countries, such as Germany, Canada, Chile, Colombia, Spain, the United States, France, and the United Kingdom, will recover by 2022. China is the exception, with an economy that will grow 1% in 2020 and resume high growth rates in 2021.

On the other hand, some countries will not recover in the next two years and reach the same economic activity levels before the pandemic.

**Mexico faces the biggest economic crisis in modern history.**

**The predictions indicate that the world economy will contract 5.2% in 2020 and some countries will recover in two years.**

Argentina, Brazil, Japan, Russia, Venezuela, and Mexico are among them. These countries did not apply decisive countercyclical policies to respond to the drop in population income and employment.

Some countries will not recover in the next two years and reach the same economic activity levels before the pandemic are Argentina, Brazil, Japan, Russia, Venezuela, and Mexico.

TABLE 3. PROJECTIONS OF GDP GROWTH IN THE WORLD			
COUNTRY	ESTIMATE		
	GDP 2020	GDP 2021	GDP 2022 <sup>3</sup>
Germany <sup>1</sup>	-7.8	5.4	2.9
Saudi Arabia	-3.8	2.5	0.1
Argentina	-7.3	2.1	-0.24
Brazil	-8	2.2	01.08
Canada <sup>1</sup>	-8.4	4.9	02.08
Chile	-4.3	3.1	1.88
China	1	6.9	6.56
Colombia	-4.9	3.6	1.78
Spain <sup>1</sup>	-10.1	5.2	3.9
United States	-6.1	4	2.26
France <sup>1</sup>	-12.5	7.3	6.4
Greece <sup>2</sup>	-8	-9.8	-5.2
India	-3.2	3.1	6.86
Italy <sup>1</sup>	-12.8	6.3	3.2
Japan	-6.1	2.5	01.08
Libya	-58.7	-12.2	-2.3
Mexico <sup>2</sup>	-10.2	3	1.48
United Kingdom <sup>2</sup>	-10.2	6.3	4.2
Russia	-6	2.7	1.8
South Africa <sup>2</sup>	-7.1	-7.1	2.9
Venezuela <sup>4</sup>	-18	-25.46	-19.26
Global Economy	-5.2	4.2	2.8

Source: World Bank "World Economic Outlook". <sup>1</sup> International Monetary Fund; <sup>2</sup> Organization for Economic Cooperation and Development (OECD); <sup>3</sup> Vital Signs Estimate, based on World Bank data; <sup>4</sup> ECLAC: <https://tinyurl.com/SVr2CEpalPib>



The growth forecast for Mexico of various institutions is –9.5% for 2020, and recovery of 3.1% in 2021 and 2.4%<sup>15</sup> in 2022 (Table 4). That is, we will start 2023 with an economic activity that will be 4.5% below the level that we had at the beginning of 2020. In per capita terms, the level will be 7.5% lower than in 2019 and almost 10% lower than at the end of 2018. How many more years will it take merely to reach the already low level that we had then? Judging by the historical growth of the last 20 years, if the economy grew at this rate, it would take more than ten years to reach the per capita income levels of 2018. A lost decade is on the horizon.

**How many more years will it take merely to reach the already low level that we had in 2018?**

<sup>15</sup> Estimation of Vital Signs, based on data from the Institutions for 2020 and 2021.

**TABLE 4. GDP GROWTH PROJECTIONS IN MEXICO**

INSTITUTION	2020	2021
Bank of Mexico	–8.8	1.3
World Bank	–7.5	3
OECD	–10.2	3
Banorte	–9.8	1.8
Citibanamex	–11.2	4.1
Credit Suisse	–10.3	2
Fitch Ratings	–7.4	3.2
International Monetary Fund	–10.5	3.3
JP Morgan Chase	–10.5	5.5
Moody's	–10	2.2
Mexican Government (SHCP)*	–8.5	4.6
AVERAGE	–9.5	3.1

\* Government of Mexico. Ministry of Finance, dated September 8th, 2020. Average of the ranges presented.

 The Lowest projection

Source: Citibanamex Survey and agencies

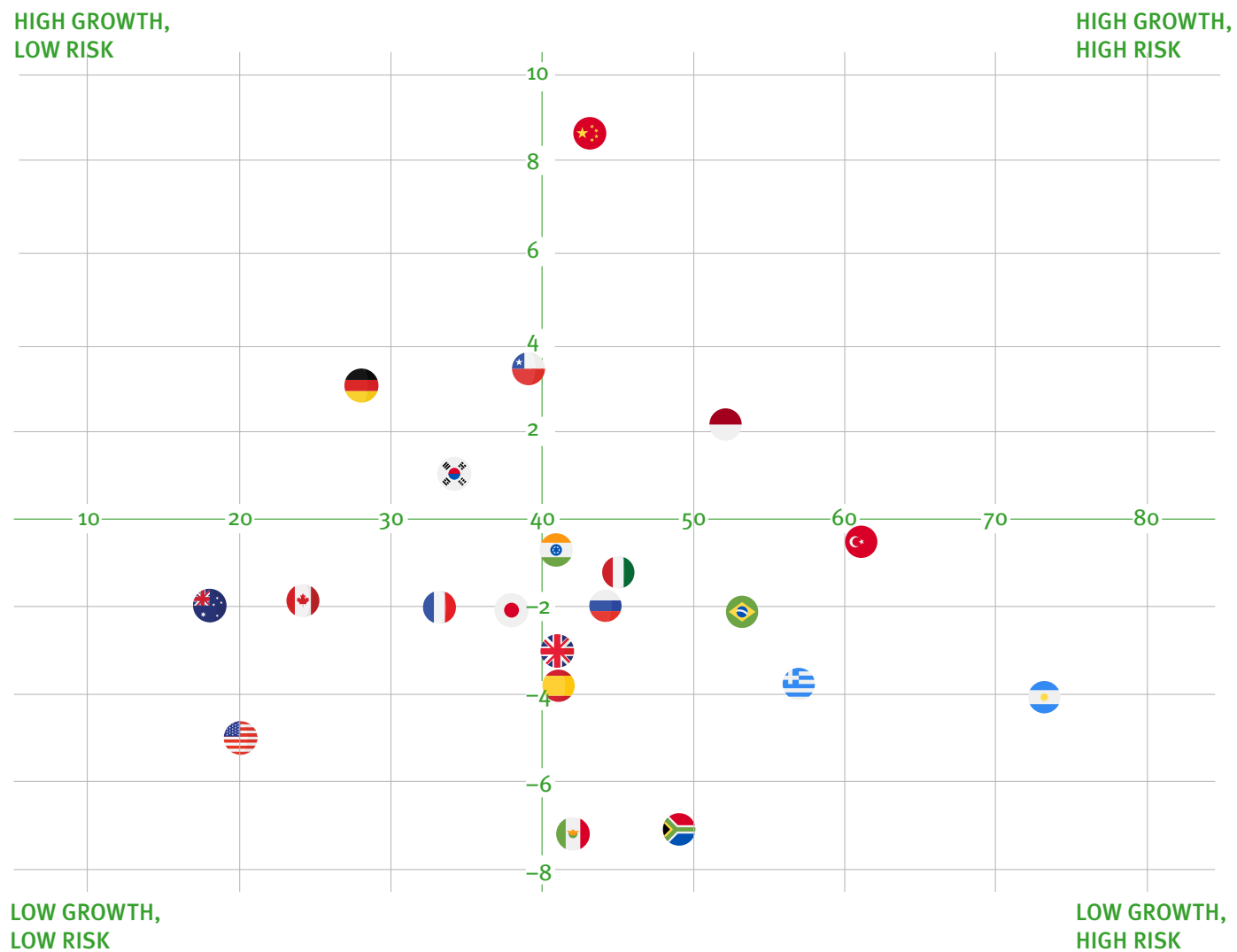
In addition to prospects, there are solvency risks for countries. In this case, the strongest countries will not face significant risks despite having injected considerable resources to meet the pandemic, such as Australia, Germany, the United States, France, and South Korea, compared to Greece and Argentina with high risks insolvency (Graph 1). Mexico is in the quadrant with a very sharp drop in GDP (the lowest of the countries considered) and a low solvency risk. China stands out with a speedy recovery and low risk as the most prosperous country in this regard. Mexico decided to favor the low public deficit and not resort to indebtedness instead of tending to families' income, companies' survival, and employment.



Image: Street vendors during the pandemic, in Mexico City. In: <https://www.dw.com/es/pib-de-m%C3%A9xico-sufre-ca%C3%ADda-hist%C3%B3rica-de-173-en-2t/a-54379853>.

**Mexico decided to favor the low public deficit and not resort to indebtedness instead of tending to families' income, companies' survival, and employment.**

GRAPH 1. PROSPECTS FOR ECONOMIC RECOVERY AND SOVEREIGN RISK



Source: The Economist Intelligence Unit

PAÍS

-  GERMANY
-  ARGENTINA
-  AUSTRALIA
-  BRAZIL
-  CANADA
-  SOUTH KOREA
-  CHILE
-  CHINA
-  SPAIN
-  USA
-  FRANCE
-  GREECE
-  INDIA
-  INDONESIA
-  ITALY
-  JAPAN
-  MEXICO
-  UNITED KINGDOM
-  RUSSIA
-  SOUTH AFRICA
-  TURKEY

The impact so far is that economic activity in 2020 will be similar to that registered in 2014, and in per capita terms, it will be at the level we had in 2010. Household consumption has regressed by ten years; gross fixed investment has regressed by 16 years. The unemployment rate adjusted for COVID-19 effects is close to 15% as of July, and the permanent closure of almost half a million companies. The external sector shows the fragility and an expectation of partial recovery given the increase in dependence on exports to the United States; the decline in imports of capital and intermediate goods will also substantially affect product supply chains. For its part, the trade surplus is an example of the gloomy scenario that Mexico will face in the coming years, reducing imports of machinery and equipment, and, therefore, productive investment.

Public finances have also been affected. The consumption reduction of almost 24% at an annual rate, the decrease of 62.6% companies' income due to the closure, the labor gap being around 40%, and the bankruptcy of more than 450 thousand companies, inexorably leads to the reduction in tax collection. The difference between the amount collected and the forecast amounts to 169 billion pesos as of June.

The reduction on investment, which has been going on for several years and has been accentuated by the current government's policy of canceling investment projects in progress and, more recently due to the pandemic, makes it possible to foresee a substantial reduction in the potential of the Mexican economy to grow in the future. In other words, potential GDP is declining.

### The impact is:

**Household consumption has regressed by ten years; gross fixed investment has regressed by 16 years. The unemployment rate adjusted for COVID-19 effects is close to 15% as of July, and the permanent closure of almost half a million companies.**

## PRIVATE CONSUMPTION

As of June 2020, the year-on-year reduction in household consumption was  $-19.6\%$ , but during May, the highest decline on record occurred,  $-23.5\%$ . In May 2009, at the zenith of the Great Recession, it was  $-11.2\%$ . In the case of the crisis of the mid-'90s, the reduction was  $-7.6\%$ .

The drop in household consumption is such that the value of the goods and services consumed is comparable to June 2009. The variation of  $-80\%$  in national semi-durable consumer goods and the reduction of  $-59.5\%$  in imported durable goods stand out by type of good. On the other hand, non-durable national origin goods had a lower consumption drop,  $-8.6\%$ .

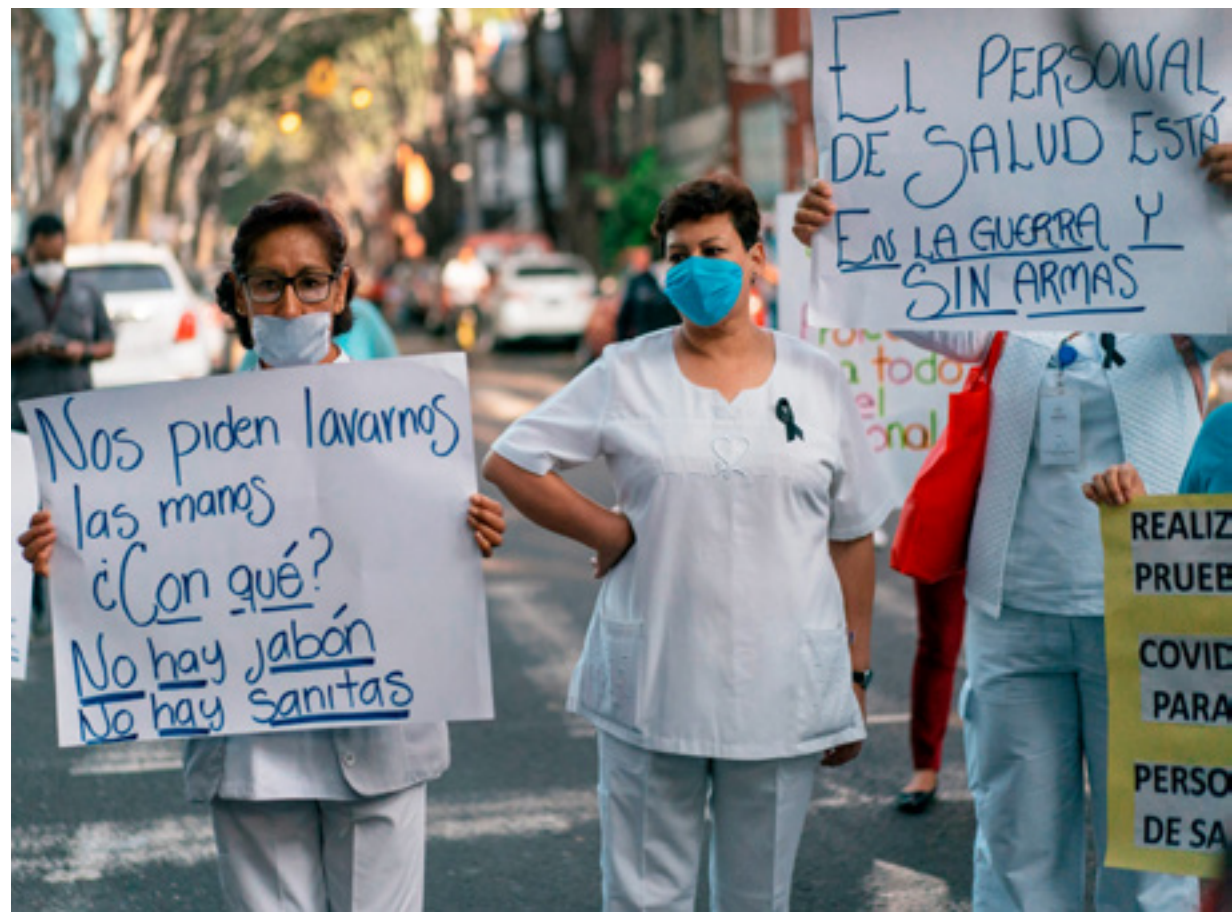
As of June, the recovery has been driven mainly by the consumption of domestic and imported goods. Meanwhile, services show a very slight recovery that keeps them at a consumption level similar to April of the same year.

During the second quarter of the year, primary activities that remained resilient to the current crisis hit adverse terrain.

This reduction -in non-durable consumer goods- is explained by the fall in family income given the loss of jobs and increased food prices.

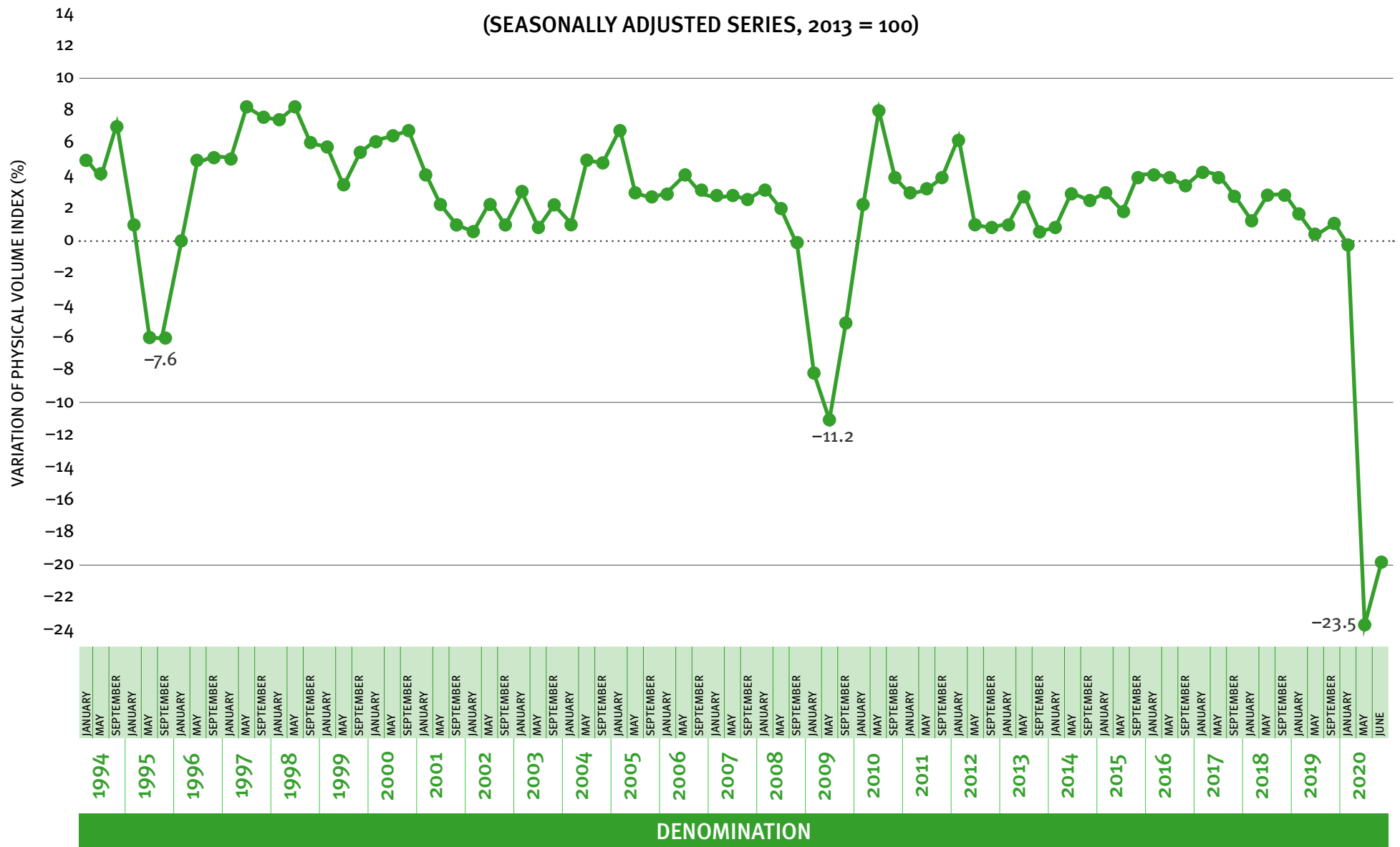
Expectations of the evolution of consumption in the coming years are not very encouraging. Its recovery will be slow (especially in services) due to reduced family income, indebtedness, job loss, and work sources.

*Image: in: [https://assets.bwbx.io/images/users/iqjWHBFdfxIU/i8B\\_2pxAo7HY/vo/-1x-1.jpg](https://assets.bwbx.io/images/users/iqjWHBFdfxIU/i8B_2pxAo7HY/vo/-1x-1.jpg).*





**GRAPH 2. VARIATION OF THE MONTHLY INDICATOR OF PRIVATE CONSUMPTION IN THE INTERNAL MARKET**  
(SEASONALLY ADJUSTED SERIES, 2013 = 100)



Source: In-house elaboration with information from INEGI, (National Institute of Statistics and Geography).

## INVESTMENT

One of the most worrying reductions due to its importance in recovering economic growth is Gross Fixed Investment (GFI). At an annual rate, the reduction began in February 2019, and since then, the decline has been continuous. Consequently, it cannot be said that the loss of fixed capital is the result of the health crisis, but it has worsened it.

Above all, the government policy of providing little certainty about property rights and respecting previous agreements has been maintained. The rules of the game under which the IFB (Gross Fixed Investment) has to develop in Mexico have low credibility and are unclear. The uncertainty environment, which was marked by NAIM (New Mexico International Airport) cancellation, continued once the new government was already in power due to the use of “popular consultations” to determine whether or not to cancel a project already underway, like in the case of the “Constellation Brands” Brewery and more recently due to the effects on the electricity market. The government has opted for greater regulation of competition from private producers. As Vital Signs

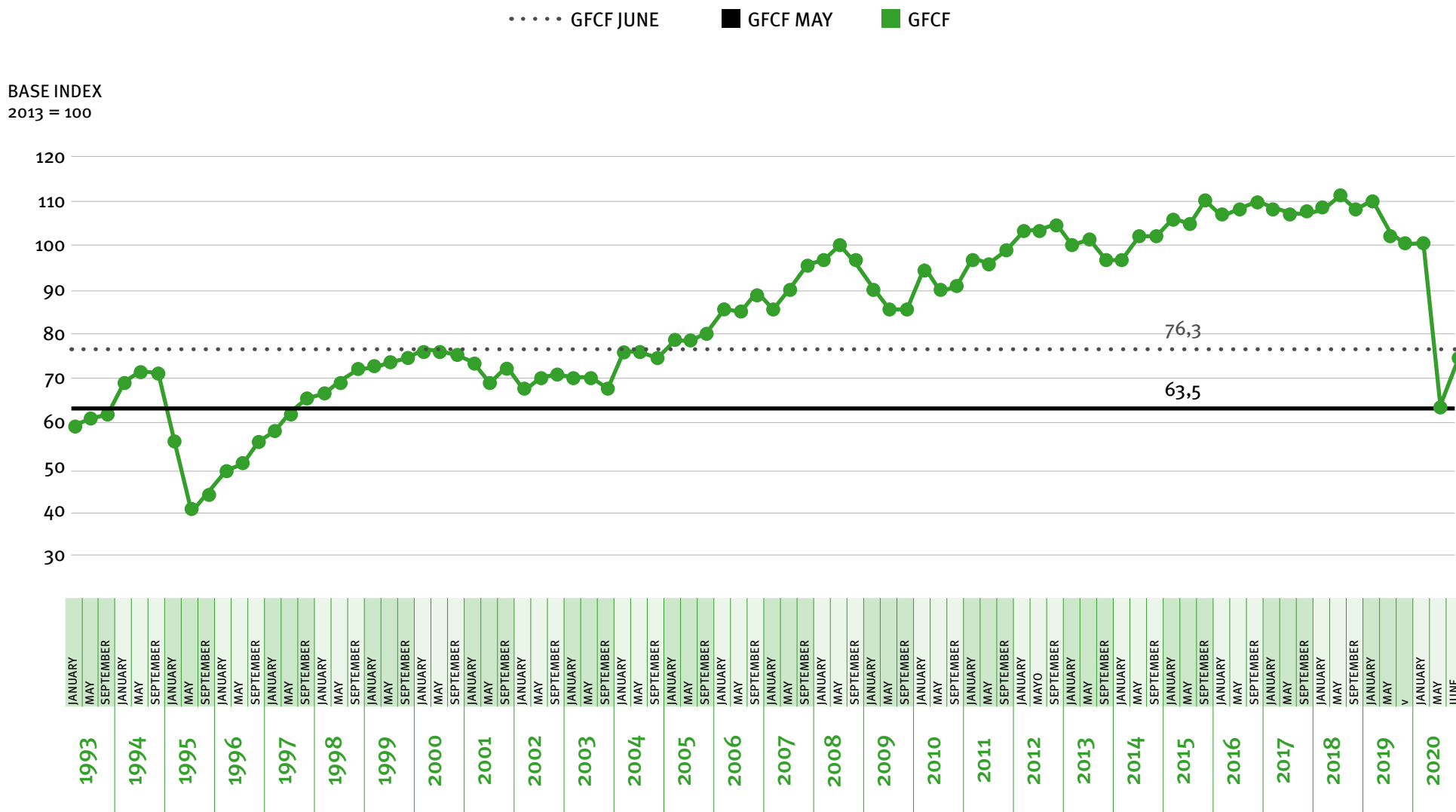
has already documented,<sup>16</sup> such a decision already has profound implications not only on investment and the price level but also on the environment and Mexican peoples’ health.

As of May 2020, the component with the most significant impact on investment has been importing transportation equipment with a reduction of –70%, followed by national origin transportation equipment, which has varied by –58.1%. Regarding construction, the most affected sector was residential, with a year-on-year growth of –36.8%. Despite the slight increase in investment between May and June, the current investment level has a precedent in October 2004, a 16-year setback. Nevertheless, the month of May only has as a precedent the investment level of May 1997.

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<sup>16</sup> <https://tinyurl.com/y5svuw2g>

GRAPH 3. MONTHLY INDICATOR OF GROSS FIXED CAPITAL FORMATION (GFCF), 1993-2020 (SEASONALLY ADJUSTED SERIES, 2013 = 100).



Source: In-house elaboration with information from INEGI



## PUBLIC FINANCE

### REVENUE

Faced with the unprecedented economic reduction, the impact on the federal government's income was primarily noticeable in April and May, when annual growth in real terms was  $-19\%$  and  $-23.1\%$ , respectively.

The tax collection dependence on economic cycles will reduce the Mexican State's economic size, aggravated by the government policy of avoiding contracting new debt. The decrease in demand for oil will also limit public revenues from abroad. However, dependence on public revenues from oil had declined after the boom in production and prices experienced in the first decade of the century, when they came to represent more than  $40\%$  of public revenues. Following the collapse of oil prices in 2016, the recovery has been slow, representing only  $13.3\%$  of total public sector revenues as of July 2020. Non-oil revenues represent  $86.7\%$  of total revenues.

On the other hand, tax collection depends mainly on direct income (both individuals and companies) and consumption. That is, the ISR (Income Tax), and con-

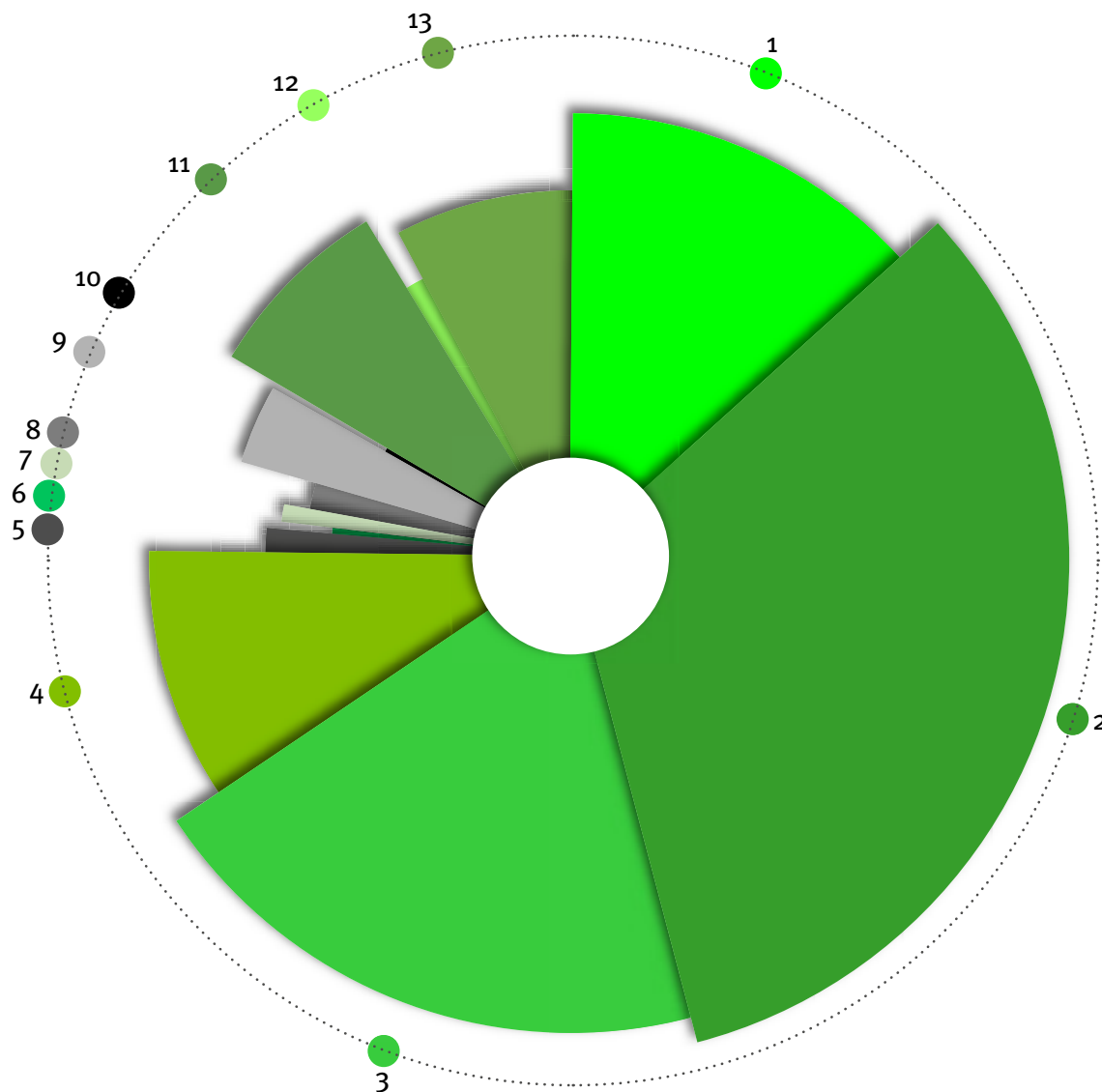
sumption taxes: VAT (Value Added Tax), IEPS (Special Tax on Production and Services), as well as imports and new cars mainly.

The sum of the first three represents  $95.9\%$  of the federal government's tax revenues<sup>17</sup> as of July 2020 (ISR, VAT, and IEPS), which will be severely affected by low economic activity. The falls in consumption of almost 24 percentage points during May and 20 percent during June at an annual rate seriously impact the collection of VAT. Hit hard by restrictions on beer sales in past months, falling demand for gasoline and diesel, and the constant fight against high-calorie foods reduced IEPS collection by  $-14.8\%$  in June 2020.

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<sup>17</sup>Public sector revenue is divided into "tax" and "non-tax". The former are made up of ISR, VAT, IEPS, among others. On the other hand, the "non-tax" are those that are obtained as consideration for a public service (such as rights, products and uses) and come from decentralized public organizations such as CFE (Federal Electricity Commission), IMSS (Mexican Institute of Social Security) and ISSSTE (Institute of Social Security and Services for State Workers).

GRAPHIC 4. COMPOSITION OF PUBLIC SECTOR REVENUE, JULY 2020



MILLION PESOS	TYPE OF REVENUE
52,364.9	1. PETROLEUM
129,674.8	2. INCOME TAX
77,636.7	3. VAT
37,617.4	4. STPS
5,034.4	5. TAXES ON
1,265.2	6. TAX FOR THE ACTIVITY OF EXPLORATION AND EXPLOITATION OF HYDROCARBONS
4,149.3	7. OTHER TAXES
6,039.0	8. RIGHTS
15,016.5	9. EXPLOITATIONS
534.8	10. *OTHERS
30,987.7	11. IMSS
3,680.3	12. ISSSTE
31,151.9	13. CFE

\* OTHERS consider: Import taxes, Tax for the exploration and exploitation of hydrocarbons, Other taxes and others (non-tax).

Source: In-house elaboration with information from the Ministry of Finance and Public Credit. \* Others consider the following: Import taxes, Tax for the exploration and exploitation of hydrocarbons, Other taxes, and others (non-tax).

For its part, the technical stoppage of activities in the automotive sector has reduced the collection via other taxes by –29.5% during June. Also, the decrease in mobility will harm the collection of IEPS. Simultaneously, the health crisis continues, due to the reduction in petroleum products' demand, such as gasoline and diesel.

Regarding direct taxes, the average drop of 62.6% in company income due to the partial or permanent closure reported by ECOVID-IE contributed to decreased income tax collection, which was reduced by –26.2% during April compared to the same month of 2019. However, the decrease stopped during May, June, and July, and had a very discreet recovery of 2.2%, 1.6%, and 0.8%, respectively. However, the unemployment generated in the formal sector will not have as pronounced an impact on this tax collection as might be expected, since job loss in this sector between January and May 2020 was concentrated (92%) in workers who had a salary less than or equal to 3 UMAS (less than 8,000 pesos per month). Said wage earners, given their low-income level, were consequently entitled to the so-called employment subsidy.

However, the –0.98% decrease between March and May in the number of employers registered with the

IMSS (Mexican Social Security Institute) may affect the institution's fees. The institute's income's annual variation is –5.7% and –3.8% in June and July, respectively.

On the other hand, non-tax revenues, including revenues from Petróleos Mexicanos (Pemex), had their most considerable decline in April, –69.2% at an annual rate, due to the negative price of a barrel of oil in the financial markets and with an average price of 12 dollars per barrel for the same month. It is important to emphasize that such income had decreased even before the outbreak of the health crisis.

As a whole, the public sector's accumulated income from January to June 2020 is 3.7% lower than that of the first semester of 2019 and 6.1% below what was foreseen in the Federal Revenue Law as of June of the current year, meaning 169 billion pesos.

## EXPENSES

As government revenues suffer the same fate as the Mexican economy, budgetary needs will have to undergo adjustments in the short term, given the policy of incurring the lowest possible deficit. One extremely worrying aspect is the effort to maintain this equilibrium through three mechanisms, two of them explicit and one that is not recognized as such, but which has been used exhaustively:

1. Cut current expenditure by reducing wages and salaries, the disappearance of undersecretaries, and the subsequent decision to reduce other operating expenses such as office equipment, mainly computers.
2. Extinction of Trust funds without organic structure, eight so far. It remains to be seen which is the totality of trust funds eliminated, but it must be made clear that many of them have a legal basis; they exist for a reason of a social or economic nature so that with such action, the rule of law would once again be violated in Mexico.
3. It is unknown if the sub-exercises reported by the SHCP (Ministry of Finance and Public Credit) are part of such a strategy or respond to the objective

of giving discretionary resources to the President noted in the first section of this report. This practice has become recurrent in the federal government to reallocate the federation's budget at the President's discretion and avoid revealing the federal executive's preferences.<sup>18</sup>

Despite efforts to balance the budget, the decision not to carry out countercyclical policies will deepen GDP reduction considerably, and the debt as a percentage of GDP will increase at the end of the year. In other words, the rapid increase in debt (as a percentage of GDP) of just over eight percentage points during Enrique Peña Nieto's administration, Andrés Manuel López Obrador will also have accrued in less than two years.

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<sup>18</sup> For a detailed analysis of the sub-exercises, it is recommended to see México Evalúa: los Números de Erario: <https://tinyurl.com/ybq86x49>

If the product's reduction continues in 2020, the debt-to-GDP ratio will be close to 60 percent. In other words, the effect of not intervening through the expansion of public spending will have a much more damaging impact on the economy in the long term than if it had been moderated through the increase or not of public debt in the short term.



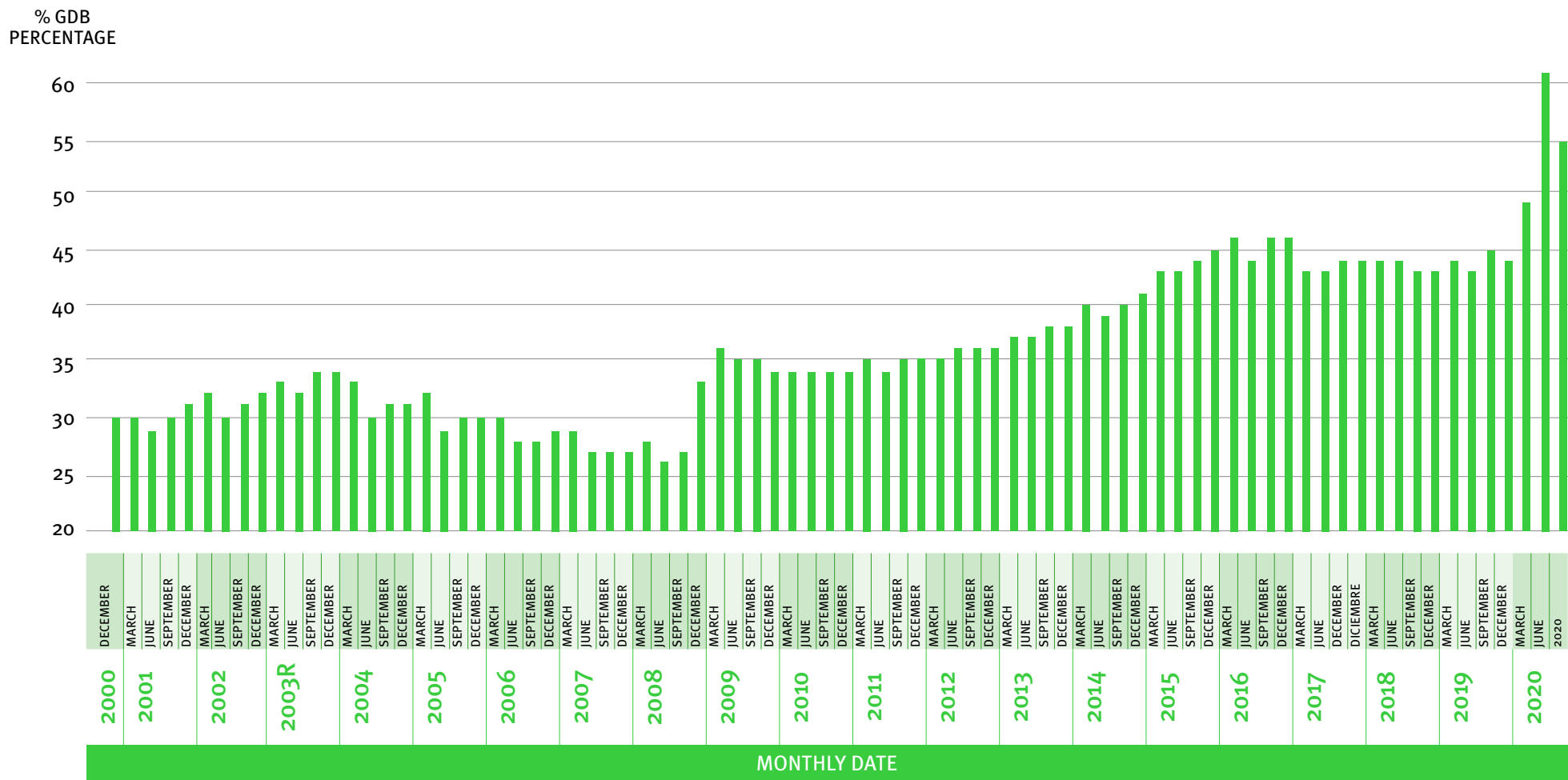
The Ministry of Finance and Public Credit (SHCP) will determine which amounts will be respected and which will be received by the administration headed by López Obrador.

*Image:* Mario Delgado said that the Treasury would determine what resources would go to the government (Foto: mariocd.mx). In <https://www.infobae.com/america/mexico/2020/10/01/estos-son-los-109-fideicomisos-que-morena-pretende-desaparecer/>.



*Image:* Will increase public debt to 53% of GDP. In <https://momentofinanciero.mx/deuda-covid/>

GRAPH 5. PUBLIC SECTOR DEBT AS A PERCENTAGE OF GDP (2013 = 100) (2000-2020) \*



Note: Public Sector Debt defined as the Historical Balance of the Public Sector Financial Requirements.

Source: In-house elaboration with information from the Ministry of Finance and Public Credit (SHCP) and INEGI.

\*Estimated according to the General Criteria of Economic Policy 2021.

In addition to the above, the reform of May 8th, 2020 to the 4th Constitutional article will generate more significant spending pressure by making certain subsidies and transfers to different sectors of society an obligation of the State, such as the pension for the elderly, scholarships for students who are in poverty and free medical care and medicines. This expense, by law, may not be adjusted downward in real terms. In the current context, this situation reduces the State's flexibility in budgetary matters by limiting its ability to redistribute public resources where they are most needed.

## LABOR MARKET

The health and economic crises have seriously affected the labor market: informality tends to grow more, people's incomes are now lower, and the loss of jobs and sources of work in the formal sector of the economy will have adverse effects on productivity. Its impact on GDP and its negative implications on people's quality of life and poverty will last beyond the pandemic.

It remains to be seen how this market will shape and adapt in the “new normal” due to the redistribution of factors towards more profitable markets or with better growth prospects in the future.

The pandemic's impact in April and May began to subside as more and more productive activities were allowed to come into operation, and the stage of social distancing ended. In June, the decline came to a halt, and since then, in subsequent months, the occupation has recovered very slowly. Unemployment levels are even higher than those recorded before the pandemic.



*Image:* in [www.tendencias.mx](https://www.tendencias.mx) en <https://tinyurl.com/y3sck4zj>. *Image:* in: <https://tinyurl.com/y6ltnc67>.



Having said the above and from the results obtained by the ETOE<sup>19</sup> and ENOE (New Edition), the following can be highlighted as of August:

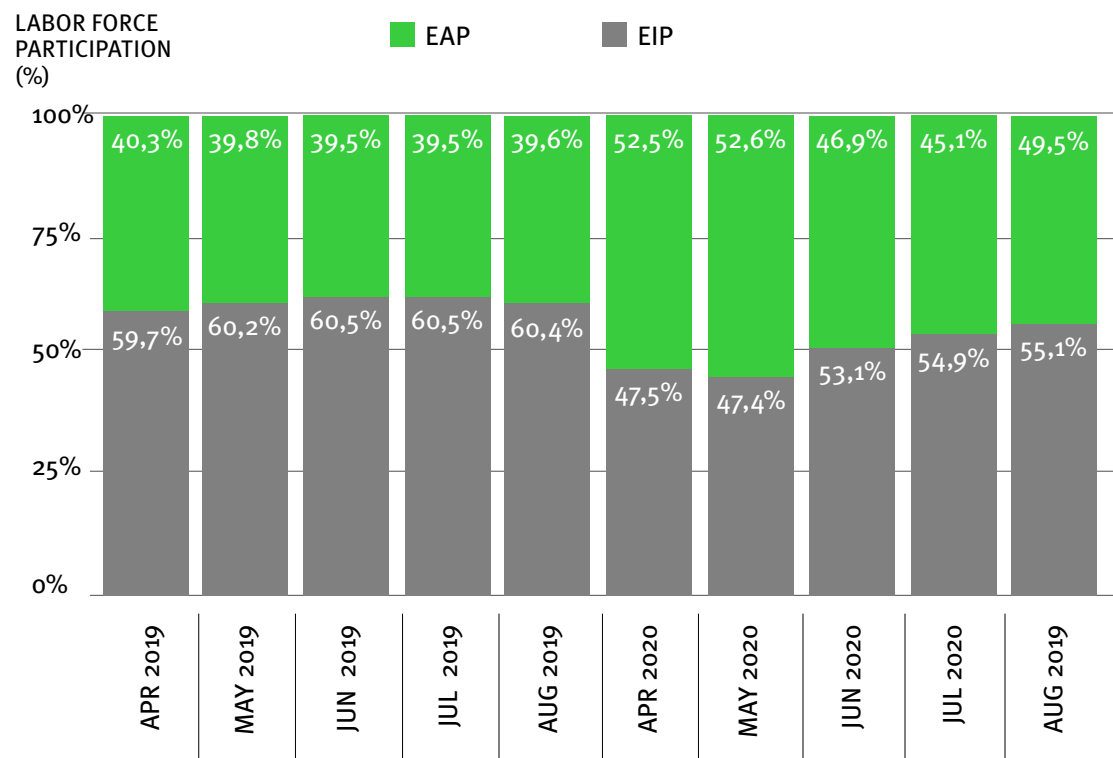
- » The Economically Active Population (EAP) shows a decrease of 5.3% of the total number of working-age people compared to August of last year

<sup>19</sup> It is important to make some clarifications regarding the employment statistics in Mexico:

1. The Telephone Survey of Occupation and Employment (ETOE) that replaces the ENOE (National Survey of Occupation and Employment) during the health crisis does not make adjustments to the questionnaire.
2. A considerable increase in the EIP (economically inactive population) is observed due to two scenarios.
  - People who are willing to work but who cannot go out to find work due to the health crisis are considered “available”, this places them within the available EIP, for this reason they are not counted as unemployed, since in the strictest, sense are not looking for work.
  - People who are interested in working, but the context prevents them from doing so since they have occupations such as taking care of young children, the elderly, and “sick”. This condition is considered EIP not available.
3. As a consequence of point two, the participation rate is 55.1% in August 2020 compared to 60.4% in August 2019, the difference in absolute terms is 4.1 million people. It can then be said that the official statistics show an underreporting of unemployment in Mexico and an overestimation of the EIP.

due to the increase in the EIP (Economically Inactive Population) both of the population available and not available. During May, which seems to be the most critical month, the EAP participation loss was 12.8% (11.5 million people).

**GRAPH 6. PARTICIPATION OF THE EAP AND EIP (%) IN THE LABOR FORCE**



Source: In-house preparation with information from the ETOE, (Telephonic Survey of Occupation and Employment), and ENOE, ( National Survey of Occupation and Employment), (New Edition).

» Graph 7 shows the annual variation –in absolute terms– in the EIP registry in the available and unavailable categories. The first is divided into the following classes:

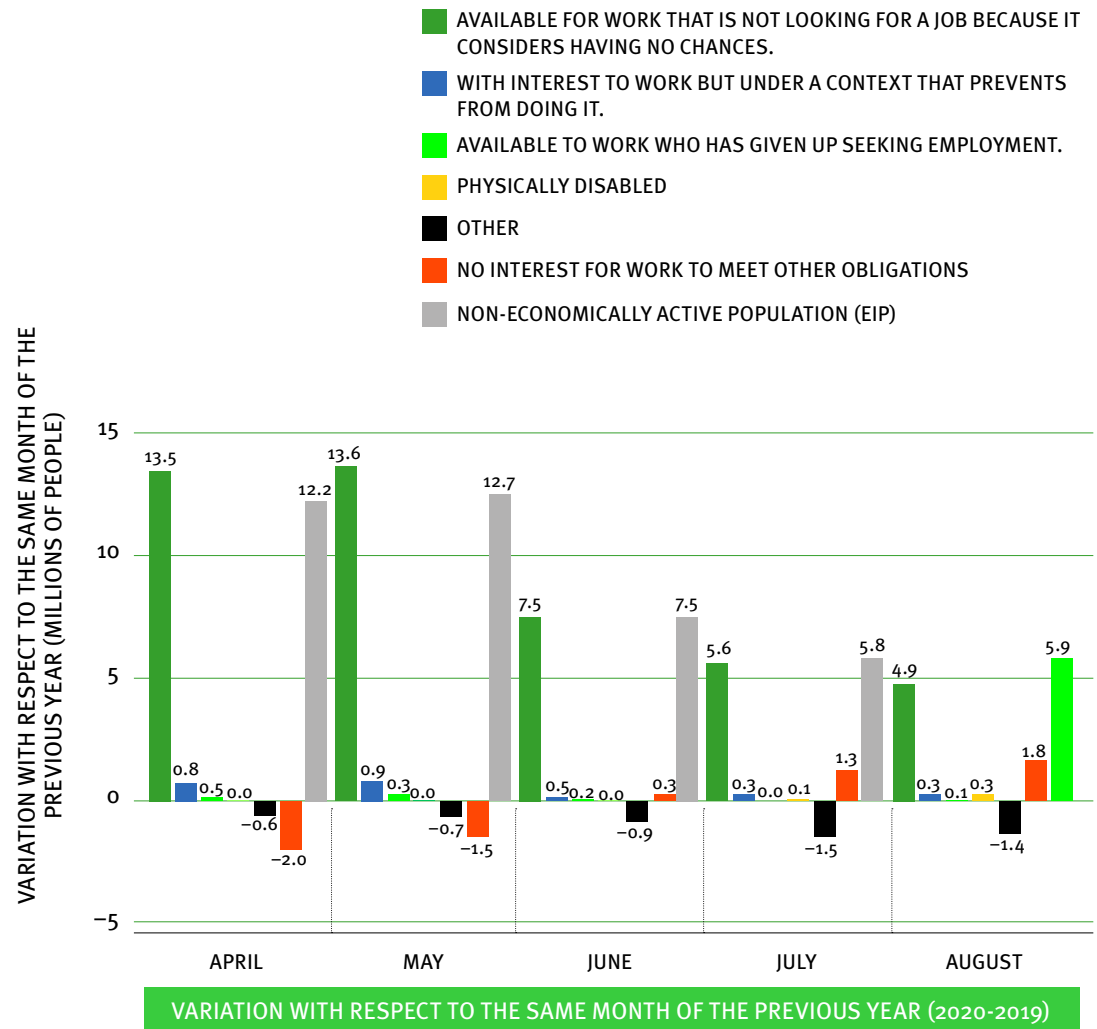
- \* available to work that has given up seeking employment; and
- \* available to work but who are not looking for a job because they consider that they have no possibilities.

The unavailable population is disaggregated as follows:

- \* with interest to work, but under a context that prevents them from doing so;
- \* without interest to work because of the need to meet other obligations; and
- \* others.

From the different categories, it can be pointed out that the decrease in the EAP is captured mostly by people who declare that they are “available for work but are not looking for a job because they consider that they have no possibilities.” This situation explains the EIP’s growth and the decrease in the EAP record to a great extent.

**GRAPH 7. EIP AVAILABLE AND NOT AVAILABLE. ANNUAL DIFFERENCE 2019-2020**



Source: In-house elaboration with information from INEGI.

» The unemployed people's number due to mobility restrictions in some regions of the country prevents many from leaving searching for a job and preventing many from returning to their work locations. Therefore, there is an underreporting of unemployment in Mexico.<sup>20</sup> However, it is foreseeable that unemployment will increase as activities resume, as has been the case in recent months. However, the unemployment rate stands at 5.2% as of August and does not currently show the situation's seriousness.

Therefore, to obtain the total number of unemployed people, the population's annual variation available to work but not seeking employment must be added to the unemployed population. To obtain the EAP adjusted for COVID-19, the variation of the population available but not seeking employment must also be added. Finally, to approximate the unemployment rate caused by COVID-19, the total number of unemployed people is divided by the EAP adjusted for COVID-19.

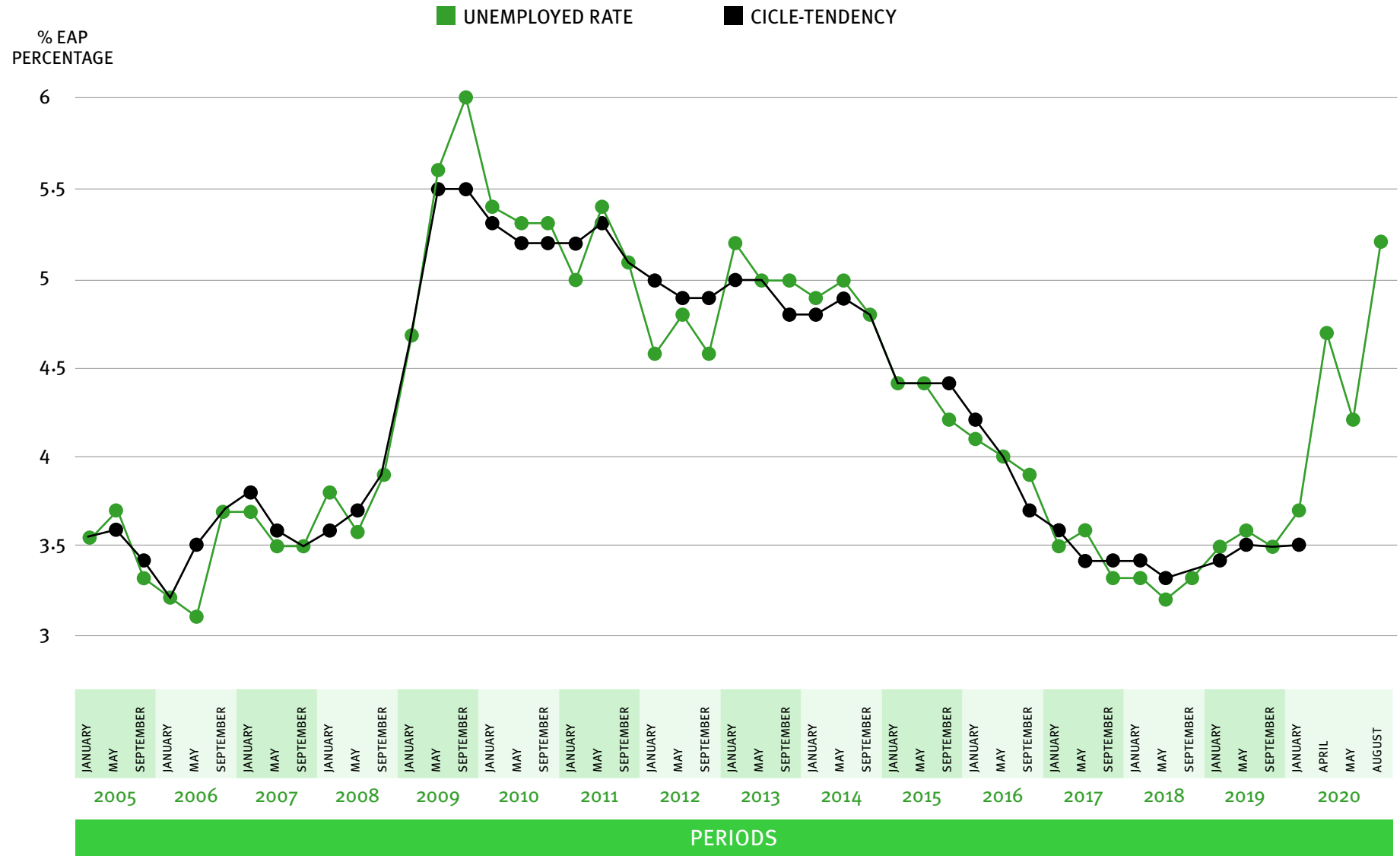
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<sup>20</sup> It is important to consider that the population over 15 years of age also suffers adjustments, so that a considerable number of people are added (or removed) to the EAP and the EIP each month. Between the months of August 2019 and August 2020, said population had an increase of 1.16 million people.

As a result of the above, the unemployed population, due to the health crisis's effect and its repercussions on the economy, fell from 15.6 and 15.5 million people in April and May, respectively, to 7.7 million people in August 2020. The adjusted unemployment rate reached 26.5% during April and was already reduced to 13.2% as of August.

**The unemployed population, due to the health crisis's effect and its repercussions on the economy, fell from 15.6 and 15.5 million people in April and May, respectively, to 7.7 million people in August 2020.**

GRAPH 8. MONTHLY OPEN UNEMPLOYMENT RATE, 2005-2020

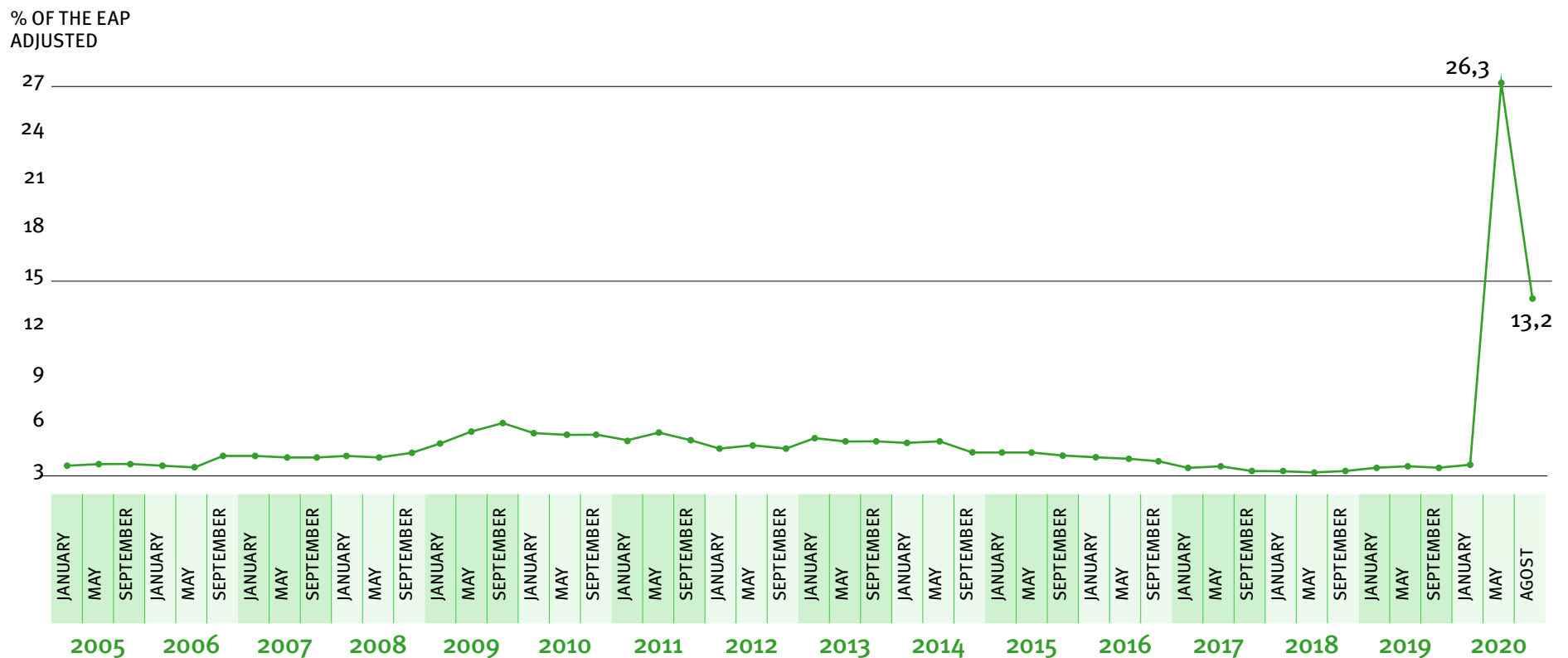


Source: In-house elaboration with information from the ENOE, ENOE (New Edition) and ETOE.

Although the unemployment rate adjusted for the effect of COVID-19 is alarming, it does not show the seriousness of the matter in all its dimensions. For this, a broader measure of unemployment in Mexico can be considered, such as the labor gap. This measures the percentage, representing the unemployed,

available, and underemployed population of the potential labor force (the EAP plus the available population). The sum of the unemployed, available and underemployed population reached 33.1 million during April, 34.3 million in May, 25.7 million in June, and decreased to 22.1 million in August.

FIGURE 9. OPEN UNEMPLOYMENT RATE ADJUSTED FOR COVID-19, 2005-2020

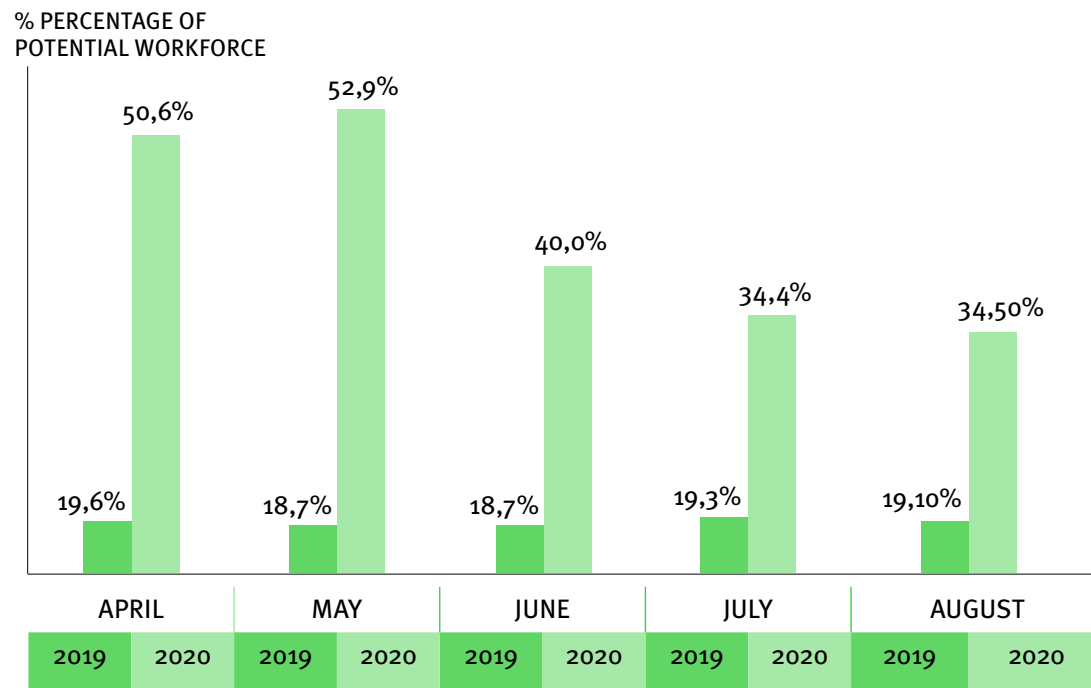


Source: Prepared by the author with information from the ENOE, ENOE (New Edition) and ETOE

As of August 2020, the result implies that just over a third of the working-age population faces unemployment, precarious working conditions (such as reduced working hours), or cannot go out to look for work because of the pandemic. During April and May, the figure was even more worrying, since half of the Mexican workforce was in one of these scenarios. These figures are the worst on record. As can be seen, although the fall in the labor market bottomed out in May 2020, the labor situation has barely improved.

As of August 2020, the result implies that just over a third of the working-age population faces unemployment, precarious working conditions or cannot go out to look for work because of the pandemic.

GRAPH 10. LABOR GAP IN MEXICO



Source: In-house elaboration with information from the ETOE and ENOE (New Edition)

## FOREIGN TRADE AND SUPPLY CHAINS

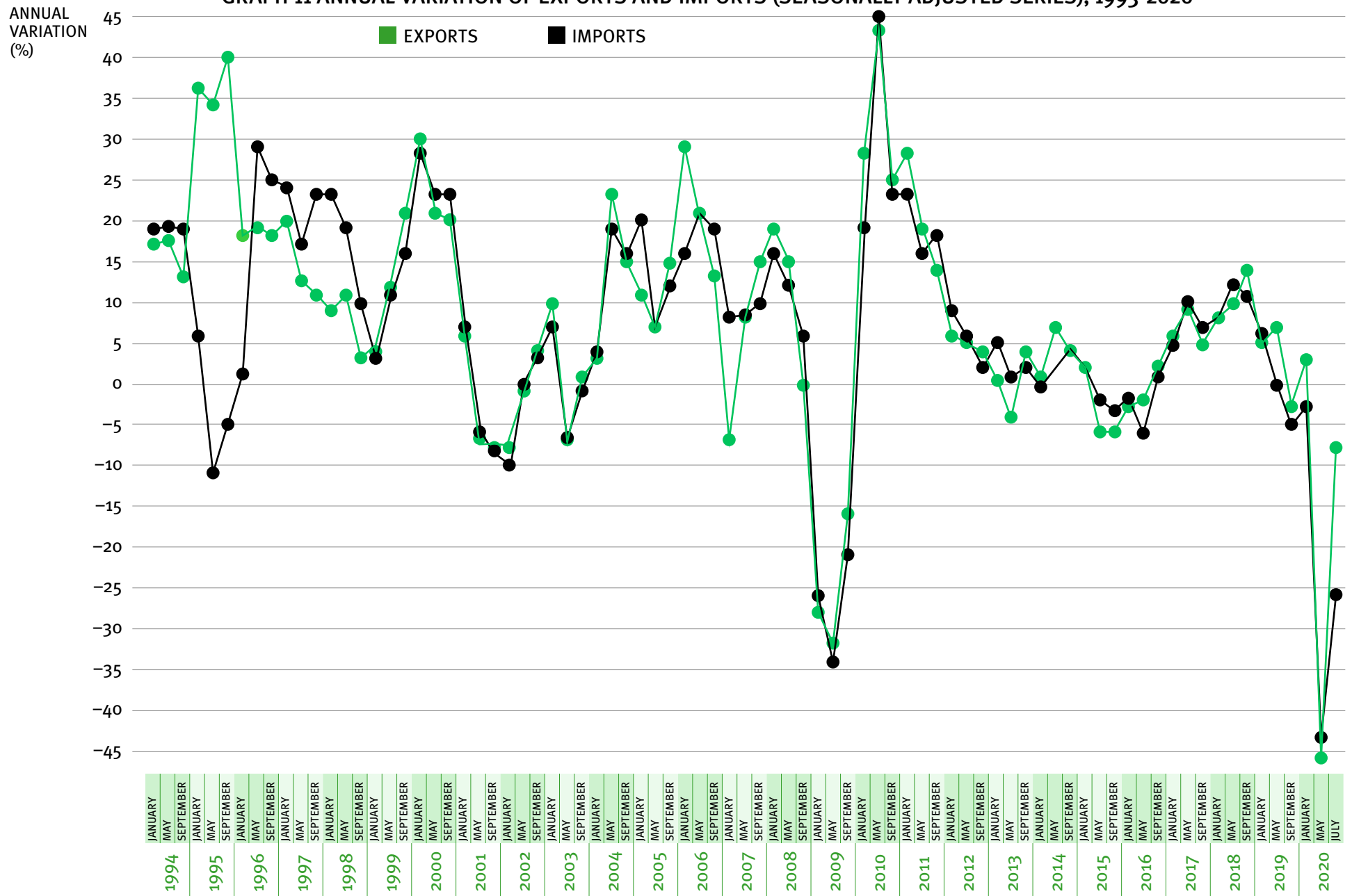
Mexico was facing a slowdown in foreign trade since the end of 2018, from which it could not recover during the following year, given the weak performance of the Mexican economy, especially if we consider that imports exhibited negative growth rates since May 2019.

However, between March and April 2020, the breakdown of supply chains in international trade is observed due to the close integration prevailing between Mexican industries and the United States and other countries. A precipitous drop occurred until exports hit their lowest point so far this year in May 2020 (−54.3%). This reduction is 21.5% higher than the one presented in May 2009. Starting in June, supply chains began to be partially reestablished. Exports showed a rapid recovery to July, but despite this, the annual variation was −8.8% and in the case of imports, −26.3%. This differential has made it possible to increase the trade surplus.

**However, the rapid and fragile recovery depends mainly on the US economy's performance, given the high dependence on manufacturing exports to the United States.**



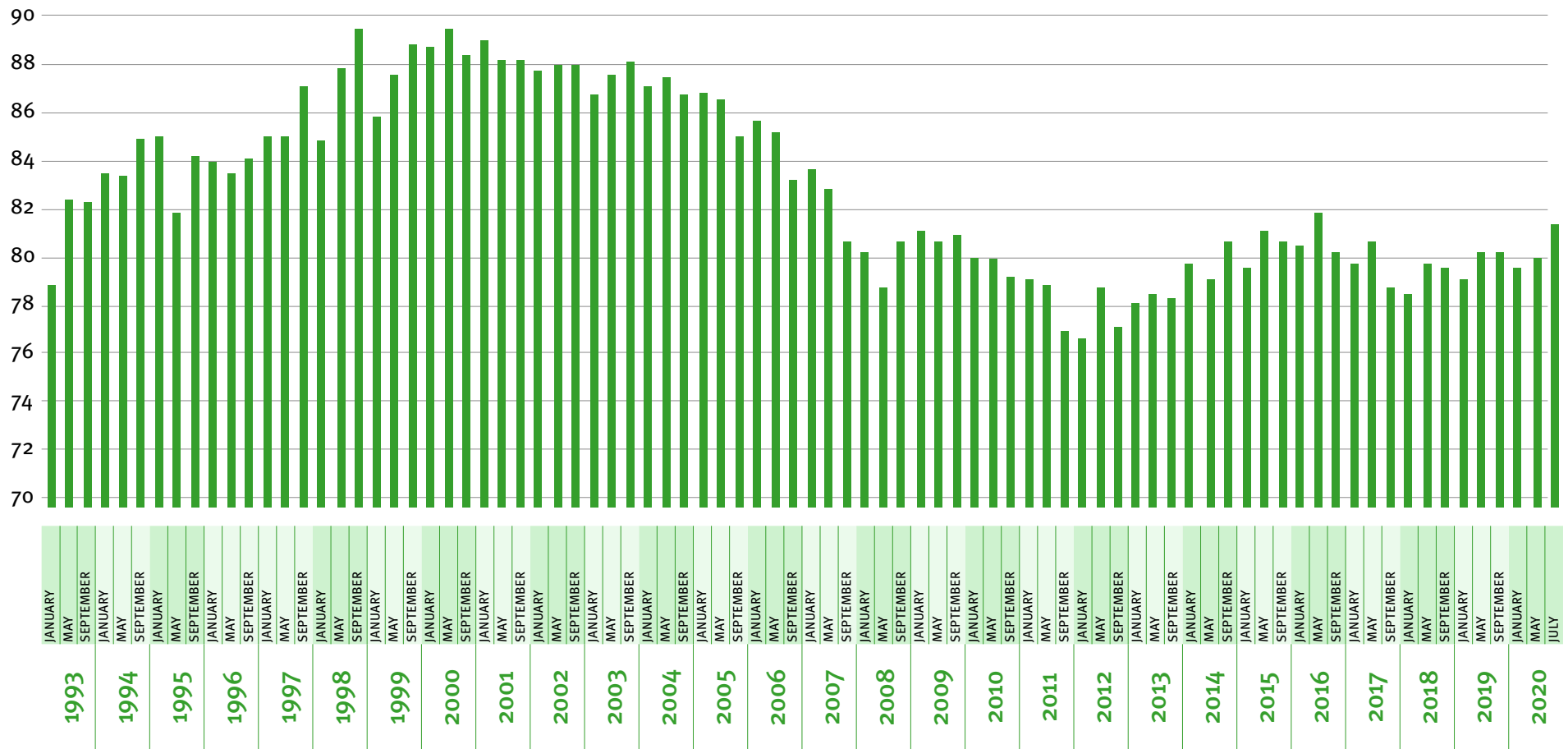
GRAPH 11 ANNUAL VARIATION OF EXPORTS AND IMPORTS (SEASONALLY ADJUSTED SERIES), 1993-2020



Source: In-house elaboration with information from Banco de México.

GRAPH 12. SHARE OF EXPORTS TO THE UNITED STATES FOR THE TOTAL (%), 1993-2020

EXPORTS SHARES  
IN TOTAL (%)

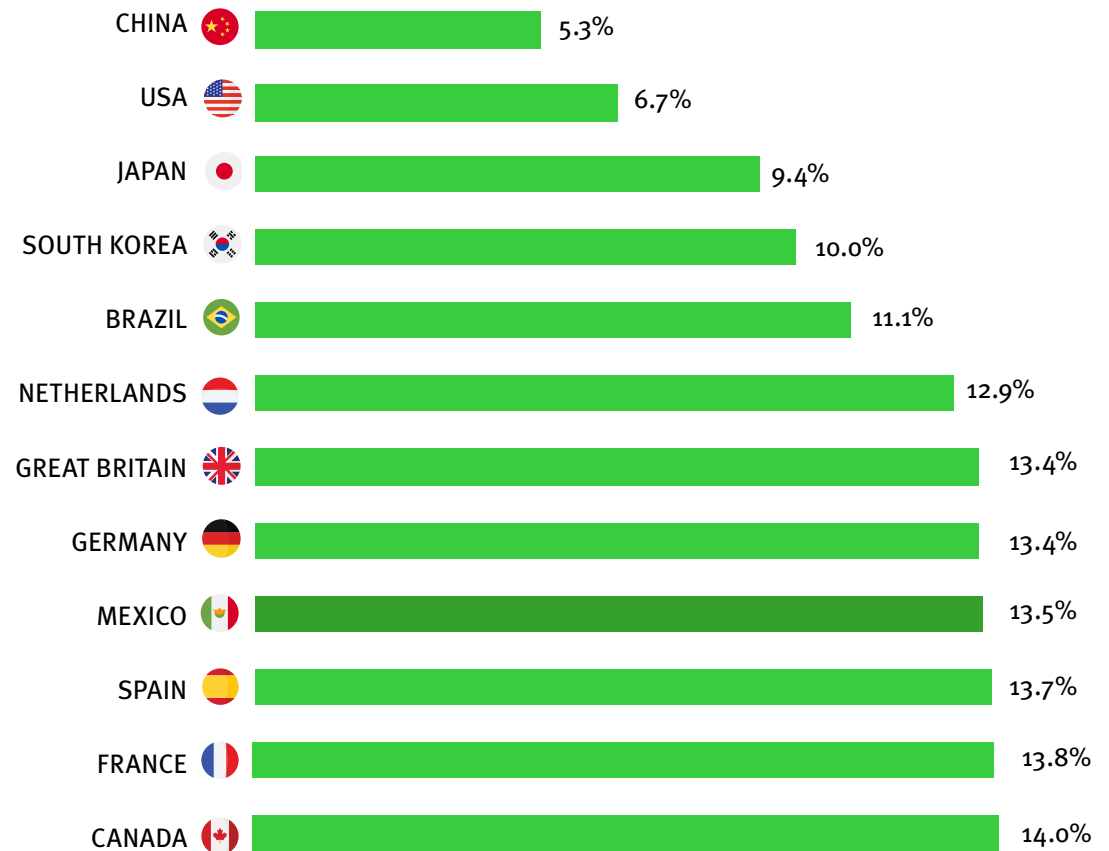


Source: In-house elaboration with information from Banco de México.

The trade surplus is also explained by reducing imports of capital goods, which will affect the potential product on the gross fixed investment area, as imports of machinery and equipment decline. Said reduction in imports would also affect the supply chain due to the -19.6% decrease in intermediate goods compared to June 2019, ultimately impacting exports, whether intermediate or finished goods.

According to the International Trade Center,<sup>21</sup> the expected loss of industrial inputs for 2020 will be 13.5% concerning the total required by Mexico's industry. Sectors such as motor vehicles and auto parts and machinery are among the most affected, with an annual loss of -14% equally. Said loss of inputs comes from China, the European Union, and the United States. Besides, Mexico ranks as the fourth country with the highest expected industrial inputs losses among its main trading partners.

**GRAPH 13. EXPECTED LOSS OF IMPORTS OF INDUSTRIAL INPUTS FROM CHINA, THE EUROPEAN UNION, AND THE UNITED STATES (%)**



*Source:* In-house elaboration with information from the International Trade Center.

<sup>21</sup> <https://tinyurl.com/yyyl6n5n>

For its part, the share of oil exports has fallen since 2013, reaching a minimum percentage with the fall in oil prices in 2016. This fall was followed by a slow recovery, reaching 6.6% in January 2020. However, from there, its participation fell to 3.9% in July of the current year.

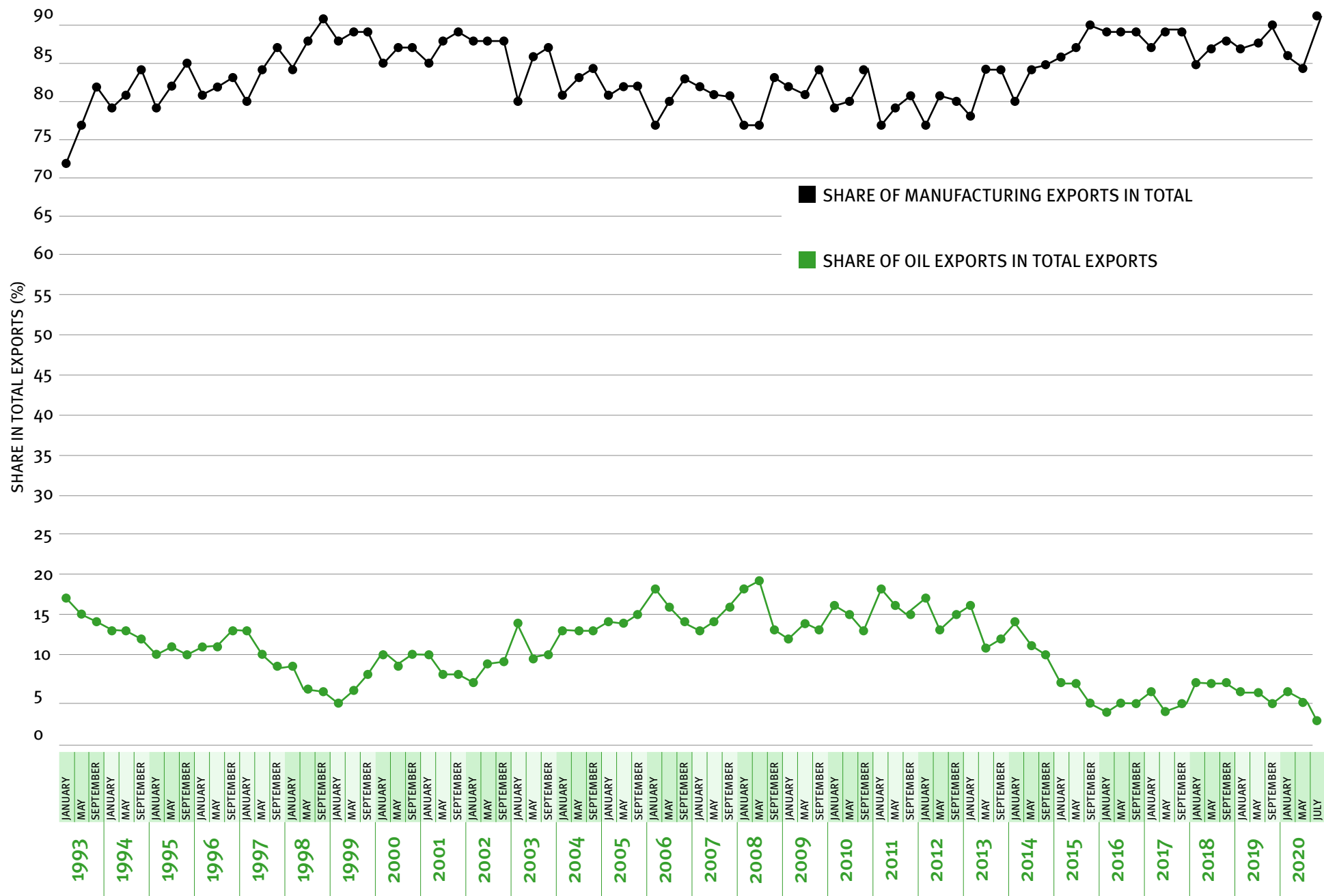
On the other hand, the diversification of Mexican exports and the advance in economic complexity have contributed to minimizing the economy's damage due to reduced oil prices. Less dependence on crude oil exports has led to more excellent stability in the trade balance.

In turn, the decrease in demand for petroleum products reduced imports of these products, which generated an improvement in the deficit balance of the scales of petroleum products. A future reopening will push the deficit up again because petroleum products' domestic production does not cover domestic demand. However, this deficit's growth speed will be slow. It will have a smaller impact due to the aviation industry's weakness, given the low expectations of recovery in the short term and the low demand for jet fuel that this will generate.

Given the above, a reduction of economic activity in the external sector is expected, which will be less prolonged than in the rest of the economy, with a considerable decrease in imports of both capital and intermediate goods temporarily, while the supply chains are reestablished. For its part, the most significant impact has fallen on the demand for imported consumer goods, 43.6% compared to June 2019, due to reducing family income in Mexico.

The recovery of exports will largely depend on the performance of the United States economy. It will probably be the most dynamic sector in the long and slow recovery of the Mexican economy.

GRAPH 14. SHARE OF OIL AND MANUFACTURING EXPORTS IN THE TOTAL (%)



Source: In-house elaboration with information from Banco de México.

### 3 WHAT MEDIUM-TERM SOCIAL EFFECTS WILL THE COVID-19 CRISIS BRING?

Under a health and economic context, the prospects for Mexico's progress, such as the one presented, show an unfavorable outlook for sustainable development in the medium term.<sup>22</sup> Unfortunately, the current government's responses have not represented objective proposals and alternatives that prioritize, in practice, the most vulnerable social conditions. The present administration's flagship programs only privilege transfers and care for specific groups such as people with disabilities, indigenous groups, students, and the elderly,<sup>23</sup> without considering the groups of workers –informal and formal– and women who have been painfully affected because of the pandemic.

The management of social policy in the last 15 years has raised the standard of living of Mexicans in terms of health, access to essential services, and housing.<sup>24</sup>

<sup>22</sup> United Nations (UN): <https://tinyurl.com/y6erobxu>

<sup>23</sup> Social policy in the context of the SARS-CoV-2 (COVID-19) virus pandemic in Mexico. Available at: <https://tinyurl.com/y5xu75lc>

<sup>24</sup> Report "Measuring well-being in the Mexican States". Well-being is measured using the 12 dimensions of the international framework developed by the OECD: income, employment, housing, health, access to utilities, education,

These results have been reflected in reducing the proportion of poverty and extreme poverty.<sup>25</sup> Given that in 2008 it was 44.4% and 11.0% respectively; While in 2018, a slight improvement was reported, reaching 41.9% and 7.4%, respectively.<sup>26</sup> Thus, it took ten years to decrease poverty from 55.4% in 2008 to 49.3%, 6.1 percentage points.

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security, governance, working conditions, civic participation, among others. Available at: <https://tinyurl.com/yy99agfk>

<sup>25</sup> The definitions refer to the multidimensional approach referring to: 1) Poverty: A person who has at least one social deprivation (in the six indicators and their income is insufficient to acquire the goods and services they require to satisfy their food and non-food needs. 2) Extreme poverty: A person has three or more deficiencies, out of six possible, within the Social Deprivation Index and which, in addition, is below the minimum welfare line.

<sup>26</sup> Statistical Annex of Poverty in Mexico CONEVAL. Available at: <https://tinyurl.com/y2l8ko9k>

However, by 2020, the current health crisis's ravages show an even greater impoverishment in just a few months. According to CEES estimates; the social rearrangement in terms of income has affected all social sectors. In this sense, an increase in working poverty is reported<sup>27</sup> during the contingency months, going from 34.9% in February to 54.9% last May, and recovering in June to 48.1% (Graph 15). For its part, the population in monetary poverty defined by CONEVAL (National Council for the Evaluation of Social Development Policy), decreased slightly from 21.4% to 18.0% in that period. The population in extreme poverty increased from 56.3% in February to 72.9 in May (highest point) and 66.9% in June. Thus, in just four months, the percentage of the population living in poverty increased more than it had decreased in 10 years (2008-2018). Around twelve million additional people fell into poverty.

A large proportion of the new poor came from the middle class, just barely above the poverty line. This lower middle class, called the vulnerable middle class, fell from 34.2% in February to 26.1% in June. In other words, almost 9 million people from the vulnerable middle class became poor.

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<sup>27</sup> Labor poverty refers to the proportion of people who cannot purchase the food basket with their work income.



Image: in <https://centrourbano.com/2020/05/19/onu-habitat-desalojos-reubicaciones-contingencia/>.

**Lower middle class, called the vulnerable middle class, fell from 34.2% in February to 26.1% in June. In other words, almost 9 million people from the vulnerable middle class became poor.**



The middle or upper class was also affected; in February, it went from 9.4% to 7.1% in June of this year. In other words, nearly three million high-income people fell into vulnerable middle-class income strata or poverty.

Income poverty projections for 2020 in the Mexican population by Coneval indicate poverty 56.7% for the population with income below the income poverty line and 25.3% for the population with income below the extreme poverty line<sup>28</sup>, reaching 72.5 and 32.4 million people respectively (Graph 16 and 17). In other words, the number of people in poverty will have increased from 61.6 to 72.5 million between 2018 and 2020.

Last August, it should be noted that amid the pandemic, the minimum income necessary to acquire a basket of essential goods was calculated, which was \$ 1,661.39 for urban areas and \$ 1,192.06 for rural areas.<sup>29</sup>

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<sup>28</sup> Considering the CONEVAL scenario referring to the average reduction of income of 5 percent, estimating greater effects on the population based on income and the incidence of urban poverty.

<sup>29</sup> Monthly value per person of the income poverty line (food basket plus non-food). Extreme poverty line. Available at: <https://tinyurl.com/yy2zrc3h>

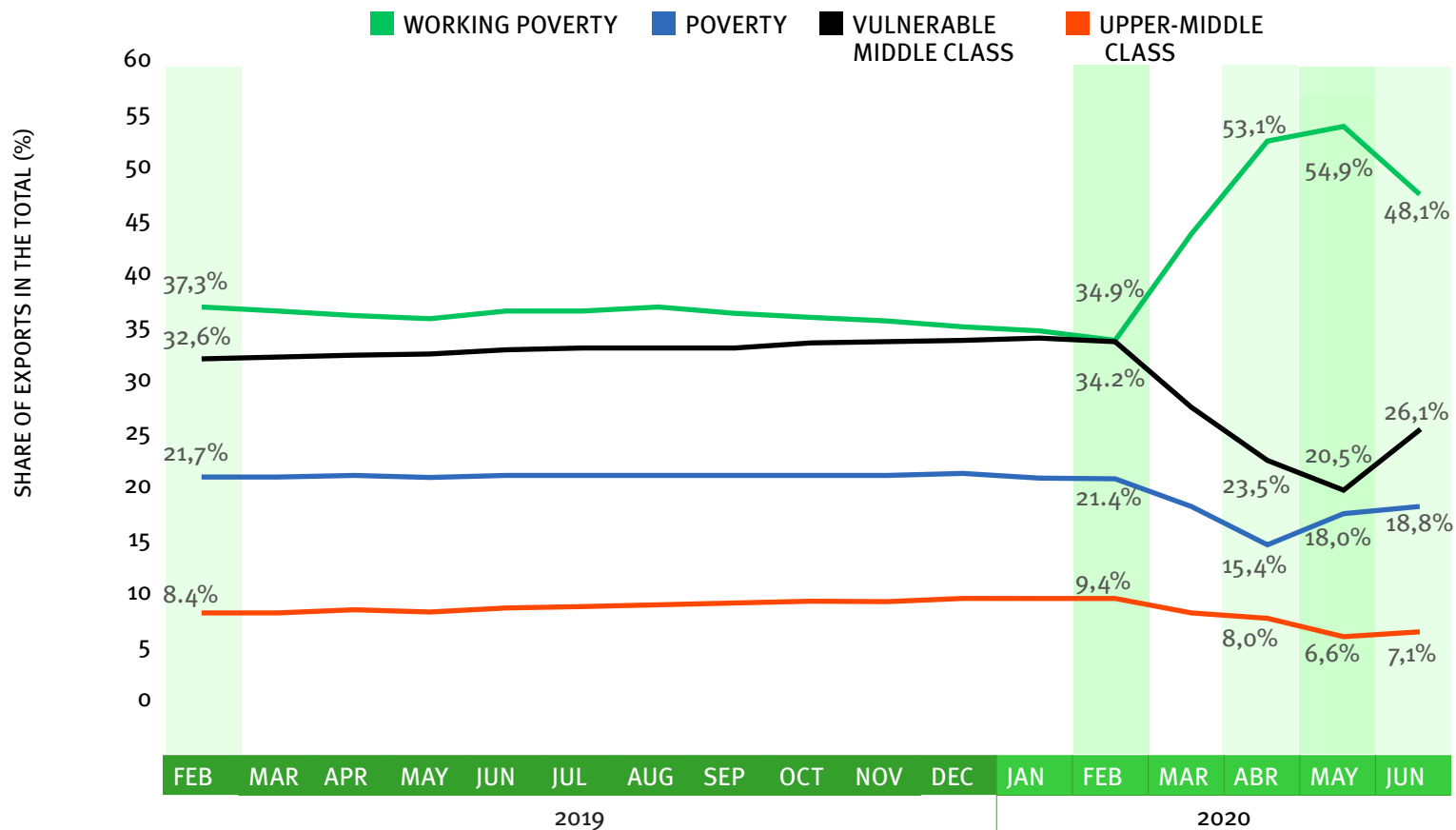
Through other indicators, there are similar estimates where, according to ENCOVID-19, the outlook is also alarming. The increase in unemployment, the reduction in income, and the rise in food insecurity can significantly rebound in the Mexican population's poverty levels. EQUIDE (Research Institute for Development with Equity) estimates, as of May, suggest that the impact of COVID-19 could lead 76.2% of the Mexican population to fall into poverty and 20.7% into extreme poverty since May 2020<sup>30</sup>.

**EQUIDE (Research Institute for Development with Equity) estimates, as of May, suggest that the impact of COVID-19 could lead 76.2% of the Mexican population to fall into poverty and 20.7% into extreme poverty since May 2020.**

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<sup>30</sup> La mirada de la academia. Monday, June 15th, 2020. Available at: <https://tinyurl.com/y23g6aap>

GRAPH 15. PERCENTAGE OF PEOPLE IN WORKING POVERTY



#### DEFINITIONS:

##### LABOR POVERTY:

Proportion of people who cannot afford the food basket (Income poverty line) with their work income

##### POVERTY:

Insufficient minimum income necessary to purchase the food and non-food basket per month.

##### THE VULNERABLE MIDDLE CLASS:

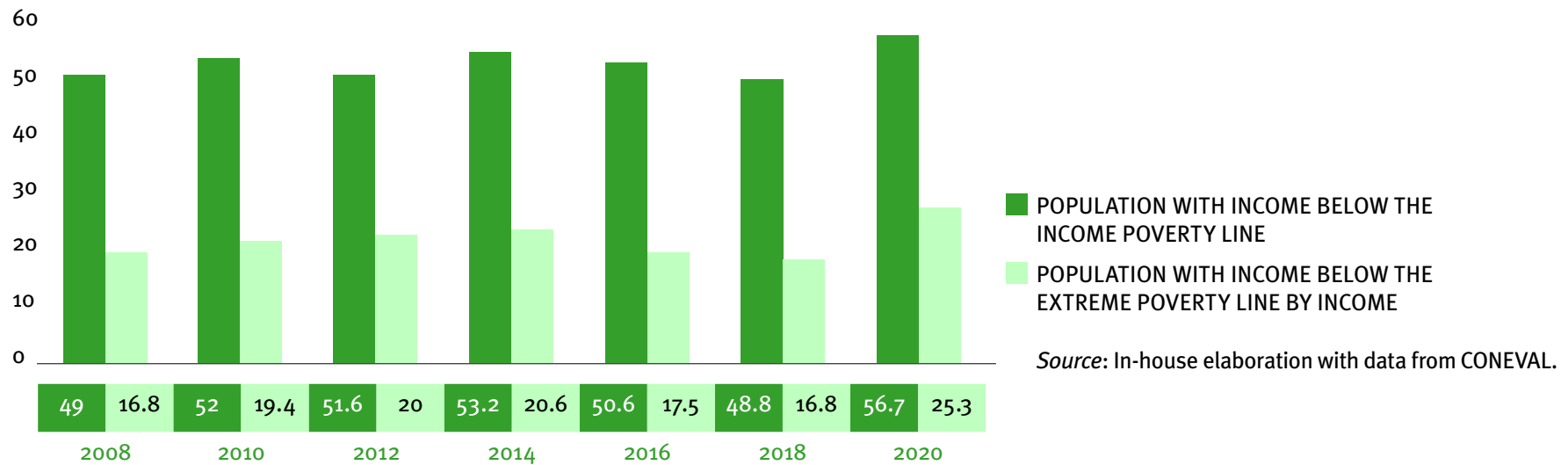
Is between the poverty line and 2.5 times the poverty line's value.

##### THE CONSOLIDATED MIDDLE CLASS:

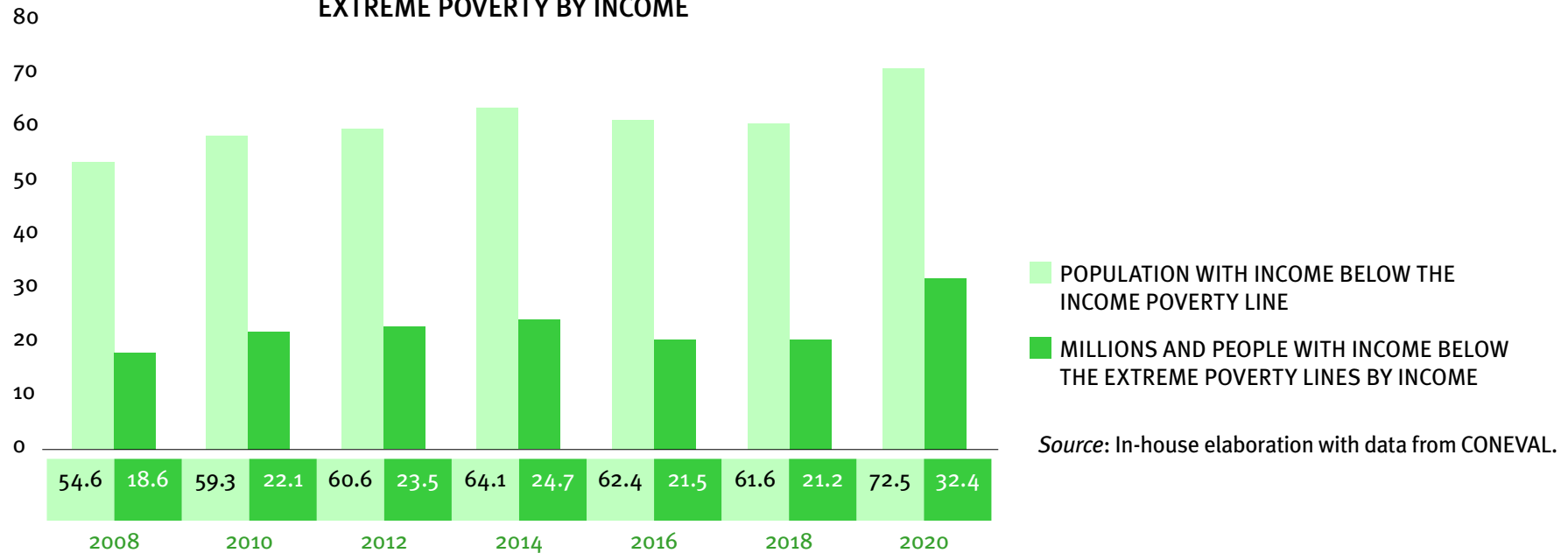
Is between this last value and 12.5 times the poverty line's value, a definition used by the IDB and the World Bank.

Source: CEES, (Center for Educational and Social Studies), calculations based on the ENOE and ETOE surveys, and based on the estimates of labor poverty from CONEVAL.

**GRAPH 16. PERCENTAGE OF PEOPLE WITH AN INCOME BELOW THE POVERTY LINE AND EXTREME POVERTY BY INCOME**



**GRAPH 17. MILLIONS OF PEOPLE WITH INCOME BELOW THE POVERTY LINES AND EXTREME POVERTY BY INCOME**



The COVID-19 pandemic has affected the reconfiguration of household income and amplified the effects of deficiencies in health systems, defects in food systems, and exacerbation of digital and educational gaps. Therefore, more notable efforts are required to significantly improve well-being indicators and move closer to the average of the countries that make up the OECD.<sup>31</sup>

In this sense, the health crisis translates into an economic and social crisis that exceeds the capacities and proposals implemented up to now by the government in turn, bringing with it governance problems and at the same time evidencing the lack of leadership of a government that, in principle, looked after “vulnerable groups.”

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<sup>31</sup> Media: <https://tinyurl.com/y4sgr5lb>

*Image:* in <https://www.baenegocios.com/economia/Por-la-coronacrisis-anticipan-que-la-pobreza-podria-saltar-al-50-20200430-0034.html>.

*Image:* in: <https://www.expreso.com.mx/seccion/mexico/213139-en-mexico-la-poblacion-en-pobreza-laboral-aumento-a-54-9-coneval.html>.



## IF WE ARE SO WELL, WHY IS EVERYTHING SO WRONG?

One of the conditions that determine, to a greater extent, the well-being of people in our country is food deprivation or “Food-deficit”<sup>32</sup>. “According to the Food and Agriculture Organization of the United Nations (FAO), Mexico is one of the countries with the highest number of undernourished people”<sup>33</sup>.

This condition has been ongoing since 2000, in which for the years 2018-2020, the prevalence of undernourishment (malnutrition) for Mexico is 0.077, representing 9.8 million people (Graph 18). The projections indicate a not very encouraging outlook for 2028, reaching 17.2 million people in a malnutrition situation for our country.

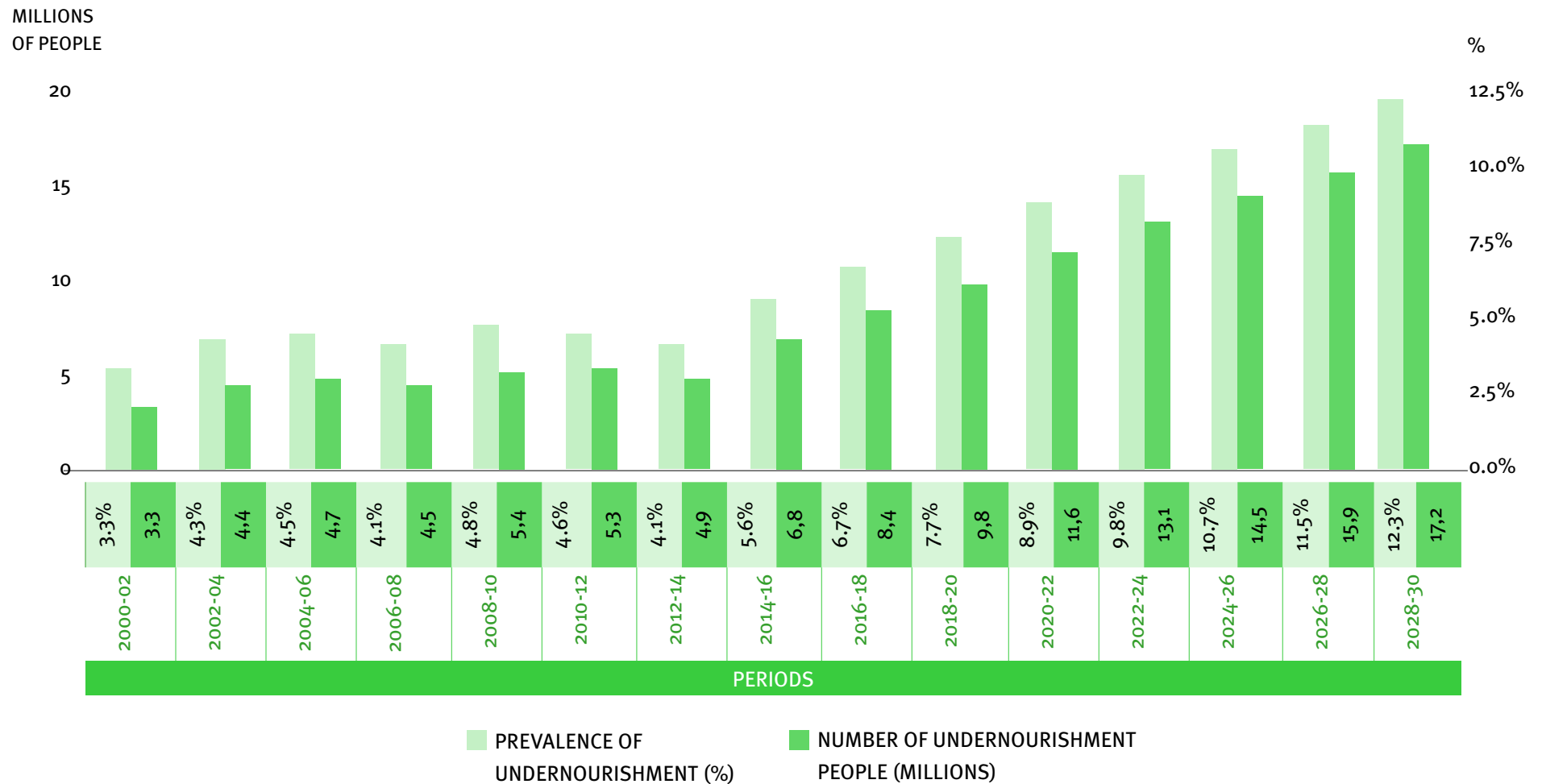
The COVID-19 pandemic has put even greater pressure on food intake, and food deficiencies have increased significantly in recent months. Once again, the precariousness of family incomes that have been recorded, and the dim outlook for its improvement in the medium term, allow us to foresee that food insecurity will continue at high levels shortly. Within this framework, Mexico has an increased number of people below the minimum energy consumption threshold for this population’s representative individual.

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<sup>32</sup> According to FAO, an adequate analysis to consider this deficiency requires the analysis of 2 indicators: 1) The prevalence of undernourishment and 2) Food Insecurity Experience Scale (FIES).

<sup>33</sup> According to FAO, this indicator refers to the proportion of people in the total population who do not have enough food to meet their energy needs to lead a healthy and active life.

GRAPH 18. PREVALENCE PROPORTION OF UNDERNOURISHED PEOPLE IN MEXICO



Source: In-house elaboration with data from FAO.

The pandemic has accelerated the negative trend that was already underway. Concern about having food at home has continued to increase since the start of the crisis in April. With the latest update of the ENCOVID-19, the number of households that reported nonconcern or not having difficulties with access to food went from 38.9% of the households surveyed in April to 27.2% in July<sup>34</sup>, that is, less than 3 Out of every ten Mexican families, have no concern about accessing food, while in 2018 that percentage was 44.8% of households, as reported by ENSANUT (National Health and Nutrition Survey), (Graph 19).

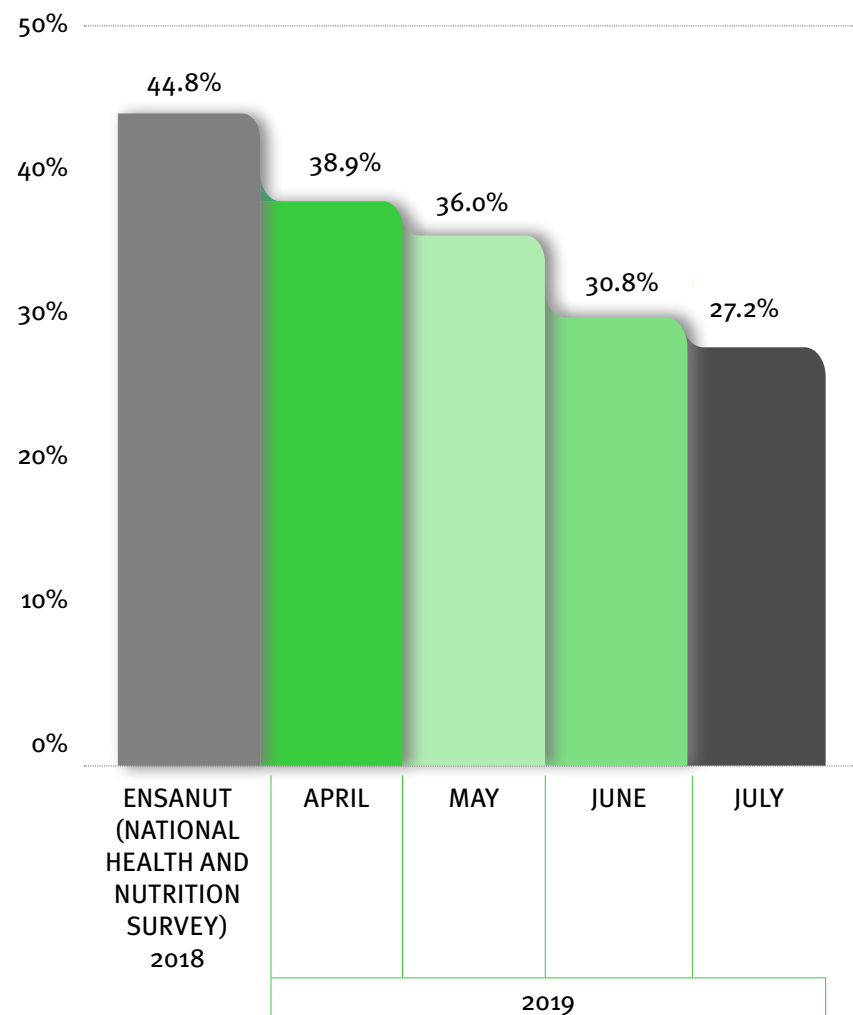
A phenomenon that shows limited progress in terms of social policies is the proportion of people with earnings below the extreme poverty line by income<sup>35</sup> since both in 2008 and 2018, the same percentage of people were reported under this condition (16.8%)<sup>36</sup>, while for 2019 1.7% of the population could not acquire the equivalent of a basic food basket, being below

<sup>34</sup> Monitoring Survey of the Effects of COVID-19 on the Well-being of Mexican Homes. ENCOVID-19, June and July 2020.

<sup>35</sup> From the one-dimensional perspective: income is used as an approximation of the economic well-being of the population. From this perspective, a poverty threshold or line is usually defined to represent the minimum income necessary to acquire a basket of goods considered essential. <https://tinyurl.com/y6sogkqo>

<sup>36</sup> CONEVAL: <https://tinyurl.com/y4d9euph>

**GRAPH 19. EVOLUTION OF THE PERCENTAGE  
WITH FOOD SECURITY**  
LATIN AMERICAN AND CARIBBEAN SCALE  
OF FOOD SECURITY FOR ADULTS



Source: ENCOVID-19, August 2020.



the extreme poverty line, people who survive on an income less than \$ 1.90 a day.<sup>37</sup>

The priorities set by the government, in turn, do not address frameworks that would give a dynamic response to the current conditions exacerbated by the pandemic, since there is no plan to respond to the growing needs for coverage, quality, accessibility, and use of health, safety, and nutrition programs. In this same sense, there has been no interest in supporting vulnerable groups' expenses that consider both the quality and the necessary quantity of food in their population. It is instead a scheme attached to a rigid welfare system. In fact, social programs' distribution of support seems to have an electoral bias and does not follow the principle of "the poor first."<sup>38</sup>

**The priorities set by the government, in turn, do not address frameworks that would give a dynamic response to the current conditions exacerbated by the pandemic.**

**The distribution of support seems to have an electoral bias and does not follow the principle of "the poor first."**

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<sup>37</sup> World Bank: <https://tinyurl.com/y4v2ewtw>

<sup>38</sup> See the alert: "Governmental blindness to Social Programs: what we cannot see from the 4T project"

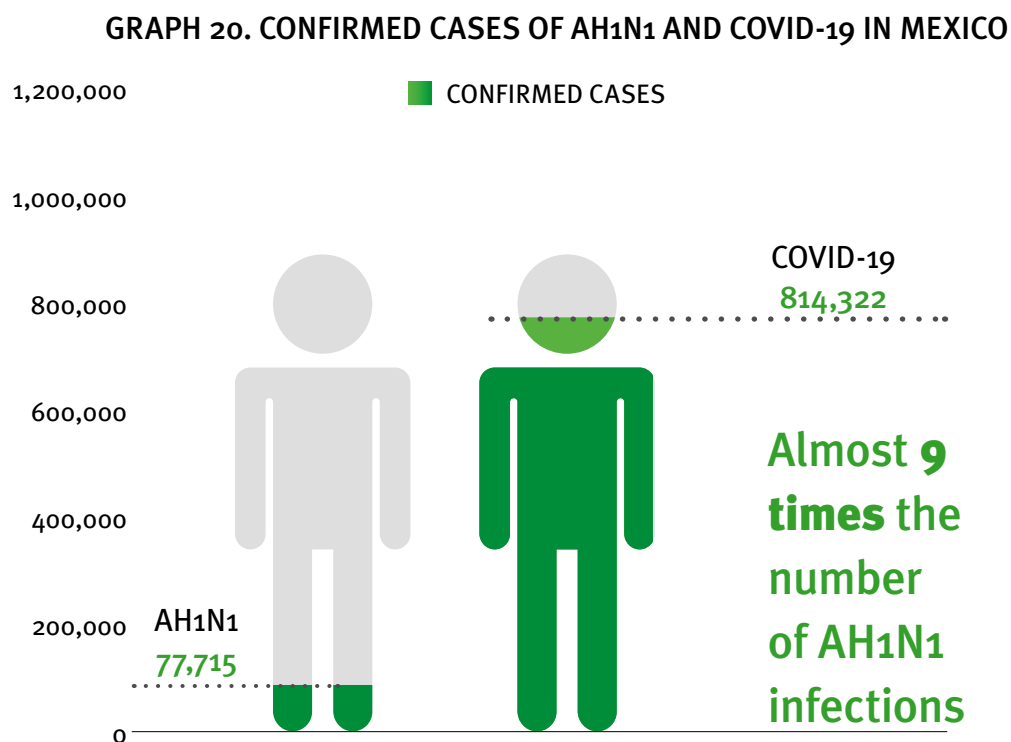
## LESSONS FROM THE HANDLING OF THE PANDEMIC

One lesson that this pandemic is teaching is that the Mexican health sector is not prepared for this nature's health emergency. In Mexico, as coronavirus cases increase, the actions taken by health authorities and the federal government are insufficient and limited.

A brief comparison between the handling of the current pandemic and that of the AH1N1 influenza virus in 2009 is illustrative. However, influenza's impact is much less severe than the unfortunate global pandemic scenario that afflicts us due to COVID-19. Because by the moment the WHO declared the influenza pandemic end, in Mexico until April 2010, 77,715 cases of contagion and 1,172 confirmed deaths due to the AH1N1 virus were reported,<sup>39</sup> while, by September 18th, 2020, reported 697,663 confirmed cases of SARS-CoV-2 and 73,493 total deaths (Graph 20 and 21).

<sup>39</sup> National Institute of Respiratory Diseases (INER). 2010

**Surprisingly, the current authorities are taking the same measures implemented in a pandemic that did not have the exact dimensions or the same consequences as the COVID-19 pandemic.**

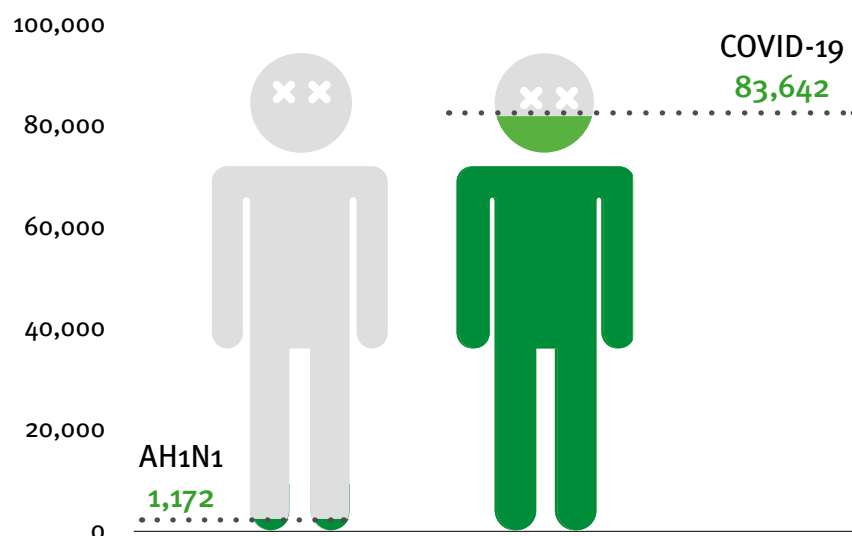


Source: In-house elaboration with data from the Ministry of Economy

Both in 2009 and now, the recommendations are limited only to social distancing (illustrated in Table 5), and not to the location of infections and their contacts, strict quarantine procedures, and case monitoring. It has been chosen to underestimate the severe ravages of the disease in the population.

In Mexico, we have faced significant catastrophes such as the 1985 earthquake or the most recent one in 2017. However, the 2020 COVID-19 pandemic crisis will have an unprecedented impact. Unfortunately, the response of both the National Health System and the Federal Government in Mexico has been late, insufficient, and erroneous. Its operation presents segmentation and fragmentation, and the different instances act independently and disjointedly.

**GRAPH 21. NUMBER OF CONFIRMED DEATHS OF AH1N1 AND COVID-19 IN MEXICO**



Source: In-house elaboration with data from the Ministry of Economy.

**TABLE 5. IMPLEMENTED MEASURES**

IMPLEMENTED MEASURES	AH1N1	COVID-19
School suspension of (at all levels)	*	*
Closing of libraries, cinemas, museums, and any public meeting space	*	*
Suspension of massive events such as concerts	*	*
Use of mask and gloves	*	*

Source: In-house elaboration with information from SS (Secretariat of Health).

## Education in Mexico: A topic from a social perspective.

According to the World Bank, the COVID-19 pandemic represents a threat to the advancement of education worldwide<sup>40</sup> due to its impacts regarding 1) school closures and 2) the economic recession resulting from the pandemic control.

However, as if that were not enough, education in Mexico is lagging. According to the OECD (Organization for Economic Cooperation and Development), students' enrollment in upper-middle and higher education increases. However, it is still low, considering the level of population in the country.

Graduation rates in upper secondary education have improved in the last decade, but are still 30 percentage points below the OECD average.<sup>41</sup> The proportion of the population aged 25-34 years without upper secondary education fell by about 13 percentage points between 2007 and 2017 but remains the highest (52%) of all OECD countries (15%), and it can be considered one of the main determinants of the high levels of inequality in the labor market.

<sup>40</sup> COVID-19: Impact on Education and the Public Policy Response. Available at: <https://tinyurl.com/y439aaem>

<sup>41</sup> Education Overview 2018 OECD. Available at: <https://tinyurl.com/y2fjd8gv>

On the other hand, Mexico is the OECD country with the lowest graduation levels in upper secondary education (65% of adults have no studies at this level, compared to an average of 22% in the OECD). This data is correlated with high-income inequality, as can be seen by comparing the wealthiest disposable income 10% of the population aged 18-65 years with that of the poorest 10%. In Mexico, this ratio is 7 to 10, which means that 10% of the population with the highest disposable income has an income seven times higher than the poorest 10% in this country.

Mexico is one of the most centralized countries in educational decision-making, and the weight of the authorities' actions in the context of a health crisis is more than relevant. More than three-quarters of decisions are made at the central (49%) or state level (34%), while, on average, in OECD countries, only 24% and 10% of decisions are made in these areas, respectively.

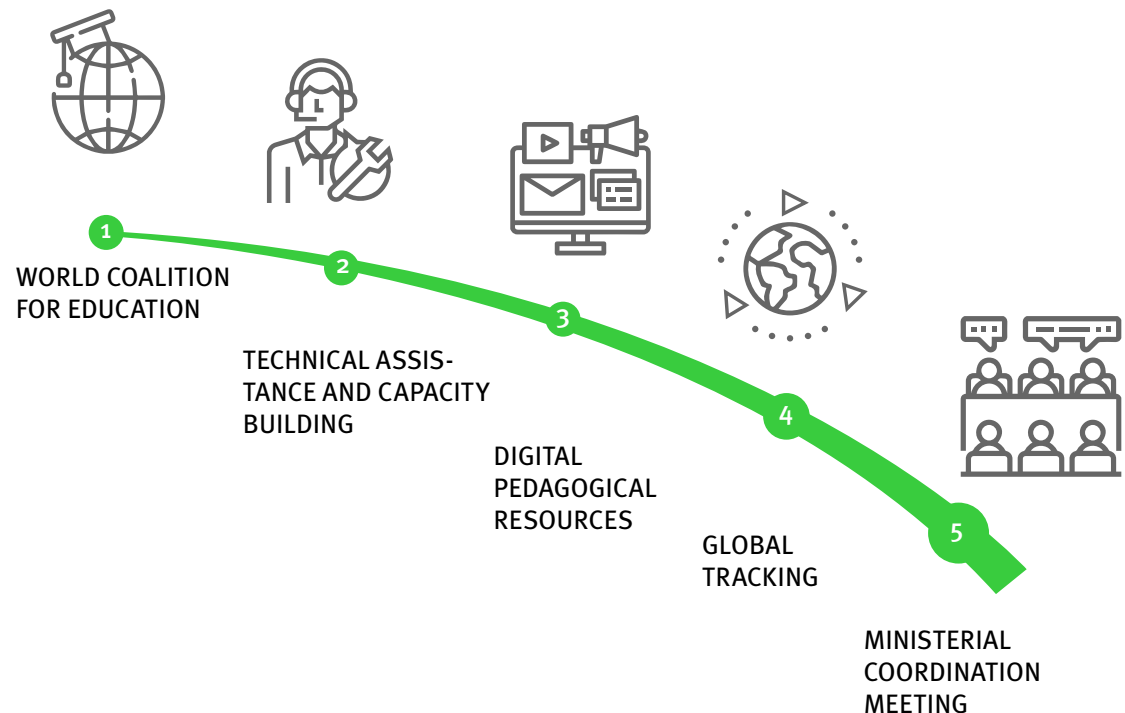
In an emergency context, entities or organizations' efforts to provide solutions to education's thorny issue should be the common denominator of governments' measures. In this context, UNESCO proposes a series of elements that help to face the global educational challenge, with actions such as:

- » Global Education Coalition
- » Technical assistance and skill-building
- » Digital pedagogical resources
- » Follow up at a global level
- » Ministerial coordination meetings<sup>42</sup>

A clear continuity of learning and teaching is essential. It is necessary to take action to reverse the damage and turn recovery into a new opportunity. Otherwise, if significant efforts are not made to counteract the effects of COVID-19 in social, health, and educational policy, those who will suffer the consequences to a greater extent will be millions of people living in poverty and extreme poverty and other vulnerable groups. By not having enough support, social deprivation will increase, and the effects will extend to the loss of learning due to increased school dropouts. There will be higher levels of inequality and inequity.

<sup>42</sup> UNESCO. Disponible en: <https://tinyurl.com/y5jzz6sz>.

## UNESCO'S PROPOSAL TO FACE THE EDUCATIONAL CHALLENGE



## Final considerations

The panorama presented in the country is marked by a worrying trend towards the President's power concentration. This fact is evidenced through signs that seem to show the increasingly clear path that the current administration is taking towards totalitarianism. These actions taken by the government occur in the midst of a severe economic, health, and social crisis, which, it is expected, will have a long duration and a depth that will affect a whole generation.

This threat of a totalitarian regimes scenario is made up of concrete elements that have to do with discretion in the use of public resources; the use of the Armed Forces as support for their political project with signs of increasing militarization; the weakening and replacement of professional and quality public services, by one characterized by political loyalty as the only solvency requirement. This panorama becomes more complicated when other equally dramatic examples are added: the polarization between “good people” and the President who embodies it, versus those who do not think like him or see things his way; or the systematic attacks on the press, intellectuals, and communicators who describe or criticize gover-

ment actions and policies; or the nullification of constitutional counterweights and harassment of civil society organizations, that also constitute a counterweight to public action.

This trend towards absolutism is equally evident in the legal framework's modifications carried out from outside the law with the majority party's endorsement in Congress. The systematic denial of political plurality and tolerance as a democratic principle; the discretionary and growing use of public monies to create massive political clienteles to maintain majorities in Congress and State and municipal governments; The scorn of scientific knowledge and evidence in public policy decision-making (and in particular health policy) also show signs of this trend.

However, imperfect our democracy was, this enfeeblement process is now located in a context of economic deterioration, that will, amid the pandemic, deepen and prolong individuals, families, and companies' financial hardship.

Investment prospects, already deteriorated for some time, are being aggravated by the health crisis and the economy's potential to grow in the coming years. This bleak future is spilling over into the social sphere: the gaps between rich and poor are already widening even more; we are witnessing a fall of large segments of the middle classes to conditions of poverty; we observe the breakdown of steps towards social mobility by increasing obstacles to it, and weakening its impellers, which will condemn a generation of Mexicans to an undignified and less prosperous life. It seems that this administration is carrying out a real National Underdevelopment Plan for the coming years and decades.

**The panorama of Mexico is marked by a worrying trend towards totalitarianism. This way of acting of the government occurs in the midst of a severe economic, health and social crisis, which, it is anticipated, will have a long duration and a depth that will affect an entire generation.**





## SECTION 2

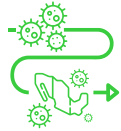
# *Pandemic evolution and impact*



Image: <https://www.abcradio.com.mx/mexico/mas-de-16-mil-profesionales-de-la-salud-de-despliegan-a-nivel-nacional-para-atender-emergencia-sanitaria-por-covid-19-imss>

## SECTION 2

# Pandemic evolution and impact



The pandemic in Mexico moves forward every day, with the authorities unable to control the spread and impact that creates on human life and the economy. According to official information to September 22nd of the current year, Mexico has 700 thousand 580 confirmed COVID-19 cases,<sup>1</sup> and it is found within the ten countries with the most significant amount of contagion in the world. To the date, the country is plunged into a brawl for the sixth place with Colombia, which boasts more than 770 thousand cases, barely outpacing Spain by a smudge with nearly 682 thousand ca-

ses.<sup>2</sup> Likewise, about the number of deaths, it holds fourth place after the USA, Brazil, and India, with only a 15 thousand difference with the latter.

Despite that the World Health Organization (OMS for its acronym in Spanish) has recognized the critical role that good design and implementation of sanitary policies play,<sup>3</sup> Mexico has not adjusted nor realigned the strategies or public policies to contain the sanitary and economic damage that the virus has left since the start of the spread in December 2019. In fact, the offi-

<sup>1</sup> Covid-19, México. Dirección General de Epidemiología [Covid-19, Mexico. General Directorate of Epidemiology]. Available at: <https://tinyurl.com/SVr2sec1gob1>

<sup>2</sup> <https://tinyurl.com/y68rlc3r>

<sup>3</sup> Importancia de la Atención primaria en los Sistemas de Salud [The emphasis on strengthening primary health care systems]. WHO: <https://tinyurl.com/Svr2Sec1OMS1>

cial response to the study “La pandemia en México” (*The pandemic in Mexico*), whose authors are six of the eight ex-secretaries of health, was to completely dismiss their recommendations, with an aftertaste of mockery and irony.<sup>4</sup>

The limited control that the sanitary authorities have had in Mexico around the pandemic’s progress was reflected since the beginning when belatedly, they declared the severe priority attention condition at the end of March.<sup>5</sup> This limited control happened even when OMS published since January 10th, 2020, a set of technical guidelines about how to face the different sanitary events related to the detection of cases, the implementation of laboratory tests, or the adequate management of existing cases, among other things.

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<sup>4</sup> The ex-secretaries are: Salomón Chertorivsky, José Ángel Córdova, Julio Frenk, Mercedes Juan, José Narro y Guillermo Soberón. *La gestión de la pandemia. Análisis preliminares y recomendaciones urgentes* [The management of the pandemic. Preliminary analysis and urgent recommendations]. Pensando en México [Thinking of Mexico]. 2020. <https://tinyurl.com/y4hkkoor>

<sup>5</sup> Agreement with which the sanitary emergency is declared due to force majeure, the pandemic of the disease caused by the SARS-CoV2:DOF virus: <https://tinyurl.com/y2e32lv7>

## 1 MANAGEMENT OF THE PANDEMIC IN THE “NEW NORMALCY”

### AN INHERITED DISEASE: THE DEFICIENT EXPENDITURE IN HEALTH

According to The Ministry of Finance and Public Credit’s head (SHCP for its acronym in Spanish), reserves with which the federal government and federal entities have been operating will be depleted by the end of the year. At least three components constituted these reserves: a) the hedges in the price of petroleum, b) the funds for economic clashes, and c) the savings the government had. This affirmation implies that for 2021 there will be irredeemably fewer resources for all areas, including the health sector.

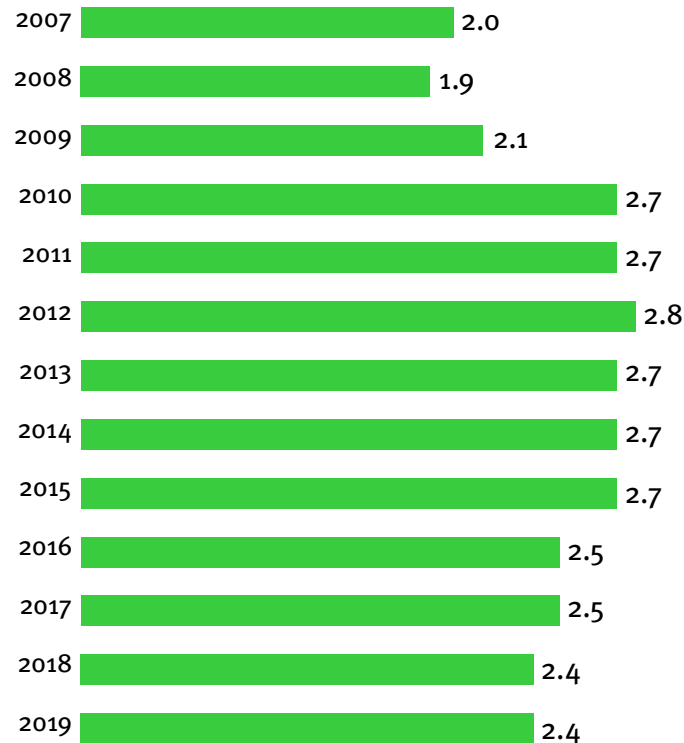
**SHCP: for 2021 there will be irredeemably fewer resources for all areas, including the health sector.**

Recurrently, the health sector has been spending less than the amount the Federal Congress has granted. This fact profoundly opposes with what the National Development Plan 2019-2024 lays, in which the federal governments commit to: “conduct necessary actions to guarantee that towards 2024 every inhabitant from Mexico can draw free nosocomial and medical attention, including the provision of medicines, healing supplies and clinical tests...through the creation of the National Health Institute for Welfare, that will provide service within the national territory to every person that is not affiliated to IMSS (The Mexican Institute of Social Security for its acronym in Spanish) or ISSTE (The State Employees’ Social Security Institute for its acronym in Spanish)”.<sup>6</sup>

More than 21 months after taking office, the current government has not given any sign of being able to comply with those commitments. In budgetary matters, the health sector has had poor performance over the years. According to México Evalúa [Mexico Assess],<sup>7</sup> health expenditure had a constant growth starting in 2009, reaching a peak in 2012 when it rea-

<sup>6</sup> National Development Plan 2019 – 2024. DOF (Official Journal of the Federation for its acronym in Spanish): <https://tinyurl.com/Svr2PND19-24salud>  
<sup>7</sup> Article from México Evalúa [Mexico Assess]: <https://tinyurl.com/SVr2MeEvSa>

**GRAPH 1. FUNCTIONAL EXPENDITURE  
IN THE PUBLIC SECTOR’S HEALTH**



*Source:* Elaborated by México Evalúa with information from timely statistics from SHCP, INEGI (The National Institute of Statistics and Geography for its acronym in Spanish) y CGPE (General Criteria of Economic Policy for its acronym in Spanish) estimated for 2019.

ched 2.8% concerning the GDP. A permanent decline started until it came to a standstill in a mediocre 2.4% after that year.

It is evident that to be able to sort in the first instance the containment of the COVID-19 pandemic and the commitments raised at the beginning of this administration, the budget contemplated should be closer to 5% concerning the GDP for 2021. Due to the circumstantial limitations that the Mexican government has to ascertain resources, it is foreseen that it is practically impossible for the health sector to face using scarce resources and deficient public policies, these two enormous challenges to come.

Besides providing a decreased budget, the federal government has incurred in underspending in the health sector. These equally affects the appropriated design of public policies to solve the different problems in matters of health. As shown in Table 1, México Evalúa presents an analysis of expenditure in the first trimester of 2019. In practically all the sector bodies, poor management is evident in resource management, showing an absolute difference of -24,255 million pesos.

Adequate performance on public management can be verified by completing goals and objectives program-

TABLE 1. UNDERSPENDING IN EXPENDITURE ON HEALTH BY INSTITUTIONS				
BUDGETARY BRANCHES IN MILLIONS OF PESOS	2019 YEARLY APPROVED	APPROVED BY MARCH	PAID BY MARCH	DIFFERENCE
Functional Expenditure in Health	602.390	146.425	122.170	-24.255
IMSS	297.472	63.955	45.391	-18.564
ISSSTE	58.963	17.520	14.318	-3.201
Health	119.771	31.884	29.709	-2.174
Contributions to Social Security	18.494	6.165	6.043	-122
National Defense	6.058	1.404	1.283	-122
Federal Contributions	99.461	24.924	24.814	-110
Navy	2.171	574	612	38

Source: Elaborated by México Evalúa with information from OECD, consulted on May 27th, 2019.

med against the budgetary exercise. Likewise, a constant lag in the public expenditure progress could entail underspending in the exercise's closure. The government cannot afford to use the resources previously programmed, in light of an undeniable need for effective response in crises.

In Table 2, it can be seen the budgetary branches that were analyzed from the 2020 budget. A disparity has been maintained between the modified budget and the dedicated budget. These imply that the goals in matters of health and infrastructure previously established are not being met timely and in due form to

**TABLE 2. PROGRESS OF PUBLIC EXPENDITURE, JANUARY-JULY (2020)**

Concept	Anual - 2020		Progress in the Fiscal Year (Jan-Jul 2020)					Committed Difference-Modified
	Original	Modified	Original	Modified	Committed	Accrued	Paid	
Health (Branch 12)	128,826.41	127,439.58	67,629.47	74,469.19	73,930.19	73,762.89	73,734.49	-0.99%
IMSS	825,062.88	825,238.84	438,297.91	458,820.09	500,542.65	448,862.47	428,479.40	-6.61%
ISSSTE	349,442.41	349,442.41	223,057.30	223,057.30	389,427.53	175,948.04	211,854.46	-5.02%
Social Security contributions (Branch 19)	863,611.77	863,562.81	528,484.97	529,890.76	521,661.04	521,661.04	521,201.35	-1.64%
Federal Contributions for States and Municipalities (Branch 33)	759,760.28	760,602.03	448,002.20	450,273.06	438,507.95	438,507.94	438,471.98	-2.62%
National defense (Branch 7)	94,028.69	89,470.13	51,380.81	51,733.30	49,843.39	49,606.78	49,512.00	-4.29%
Navy (Branch 13)	33,557.79	33,208.86	18,470.34	18,675.82	18,675.82	18,385.84	18,376.11	-1.60%

Source: SHCP. General Directorate of Statistics and Public Finances. Economic Planning Unit of the Secretariat of Finance and Public Credit.

solve the most pressing social issues in Mexico in times of the pandemic.

Keeping this trend in poor budgetary management; two scenarios can be foreseen:

1. Improvised and last-minute acquisitions/recruitment to justify the expenditure.
2. Budgetary underspending that implies, in many cases, a decrease in resources to be allocated next year.

## **DEVASTATING DATA: A GOVERNMENT EXCEEDED BY THE PANDEMIC**

Without a reasonable budget for the country's current juncture, substantive progress in resolving issues that afflict this sector will not happen. Issues that start from the way official information is managed and distributed. i.e., on the exclusive case of the COVID-19 pandemic, 475 medical units (UM for its acronym in Spanish) were quantified; when in reality, there are 5,134 of them in the country, of this 1,642 are Public Sector Hospitalization Units and 3,492 private sector Hospitalization Units. That is to say, confirmed cases

**According to CONEVAL, six out of ten people have access to health services, leaving more than 21.2 million people without any type of social security.**

of contagion and fatalities of less than 10% of the existing Hospitalization Units were considered. Therefore, the selected units were not representative of the population from all of the cases that came from a UM of primary care level.

In a moment when the government priority should have been focused on avoiding contagion and saving lives, the allotted resources to the health sector have not risen. Under this landscape, according to CONEVAL (National Council for Evaluation of Social Development Policy for its acronym in Spanish), six out of ten people have access to health services, leaving more than 21.2 million people without any type of social security. Even though in some way, the sector has been forced to improvise strategies to attempt the progress in the virus containment, it has been evident that the resources, infrastructure, and equipment, have not been enough.



As a clear example, the Mexican Social Security Institute (IMSS for its acronym in Spanish) started the dubbed COVID Teams: comprised of a lead physician backed by three support physicians, which in turn are supported by two general or auxiliary nurses, having an entire staff of ten members of the health personnel taking care of 24 patients,<sup>8</sup> resulting in a rate of 0.42 physicians per patient. This figure reveals the shortage the sector has to face the emergency.

Even if official data is taken as truthful, this issue is stressed even more when the analysis is detailed. According to the General Epidemiology Directorate of the Federal Secretariat of Health, more than 25% of the detected cases of COVID-19 have required hospitalization and permanently follow up, from which 32% has passed away, which means this represents 11% of the total infected people. This lethality rate is high if we compare the total contagions and the number of deaths globally, which is almost 4%.



Image: The Covid team, pyramidal group in [https://twitter.com/Tu\\_IMSS/status/1283190793050750979](https://twitter.com/Tu_IMSS/status/1283190793050750979).

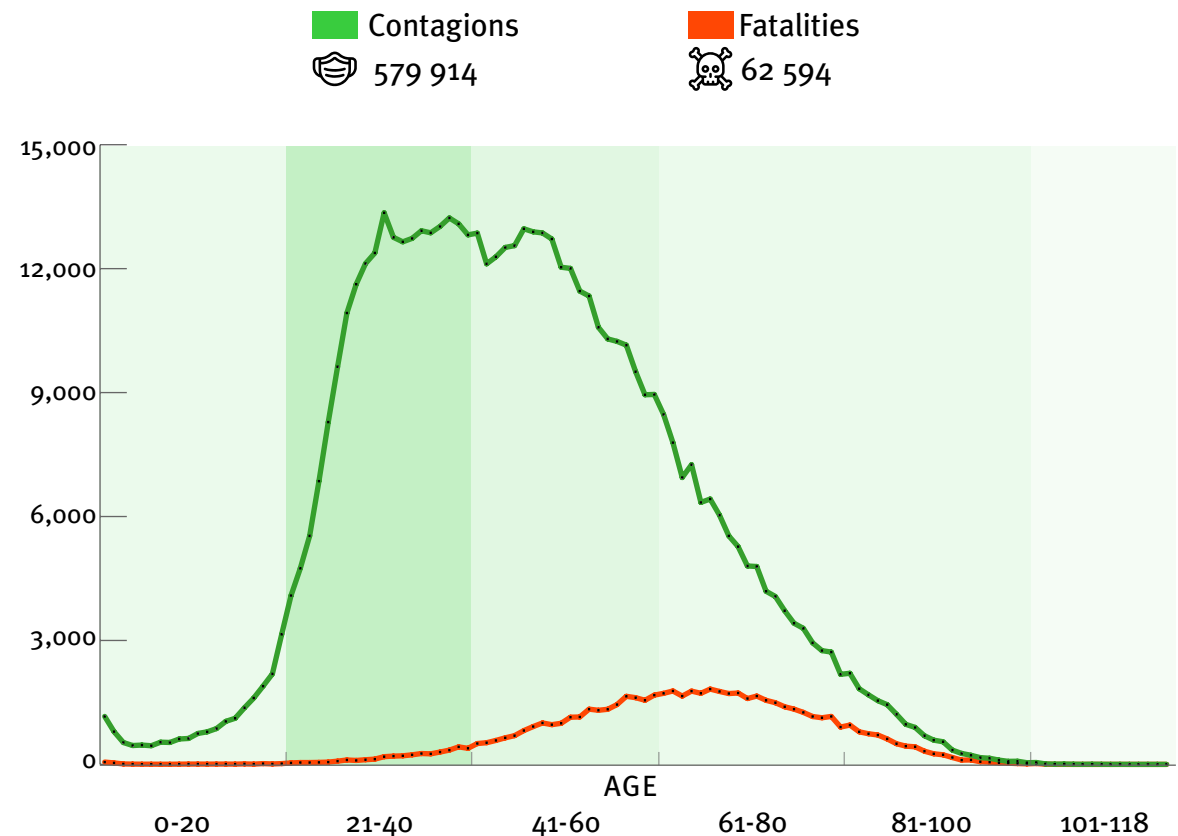
<sup>8</sup> Press Release No. 558. <https://tinyurl.com/yycbsfkp>

The largest number of contagions are presented in the 28 to 50 years old bracket. That is precisely the economically active population that cannot stop working. On their part, the fatalities are focused in the 58 to 78 years bracket.

TABLE 3. CONTAGIONS PER TYPE OF HOSPITAL ADMISSION			
TYPE OF PATIENTS			
Death	M	W	General Total
Outpatient	300,458	305,111	605,569
No	294,240	301,828	596,068
Yes	6,218	3,283	9,501
Inpatient	90,714	81,568	208,753
No	127,185	55,083	134,612
Si	47,656	26,485	74,141
<b>Total</b>	<b>427,643</b>	<b>275,176</b>	<b>814,322</b>

Source: In-house elaboration with information from General Epidemiology Directorate of the Federal Secretariat of Health by August 27th, 2020.

GRAPH 2. CONTAGIONS AND FATALITIES PER AGE



Source: In-house elaboration with information from General Epidemiology Directorate of the Federal Secretariat of Health by August 27th, 2020.

The official information shows that the pandemic's intensity is concentrated in Mexico City, Mexico State, Guanajuato, Nuevo León, Tabasco, and Veracruz, states that accumulate 47% of the number of confirmed contagions in the country. In these entities, the vulnerability to contagion is highly elevated, almost 1% of the cases according to their total population. Likewise, pertaining to the active cases of contagions, Mexico City leads the list of federative entities, followed by Mexico State, Guanajuato, Nuevo León, and Yucatán, where more than 17 thousand cases are concentrated, and represents almost 30% of the total.

Concerning the mortality rate, Morelos, Baja California, Chiapas, Tlaxcala, Hidalgo, and Mexico State, have a lethality higher than the 15%.

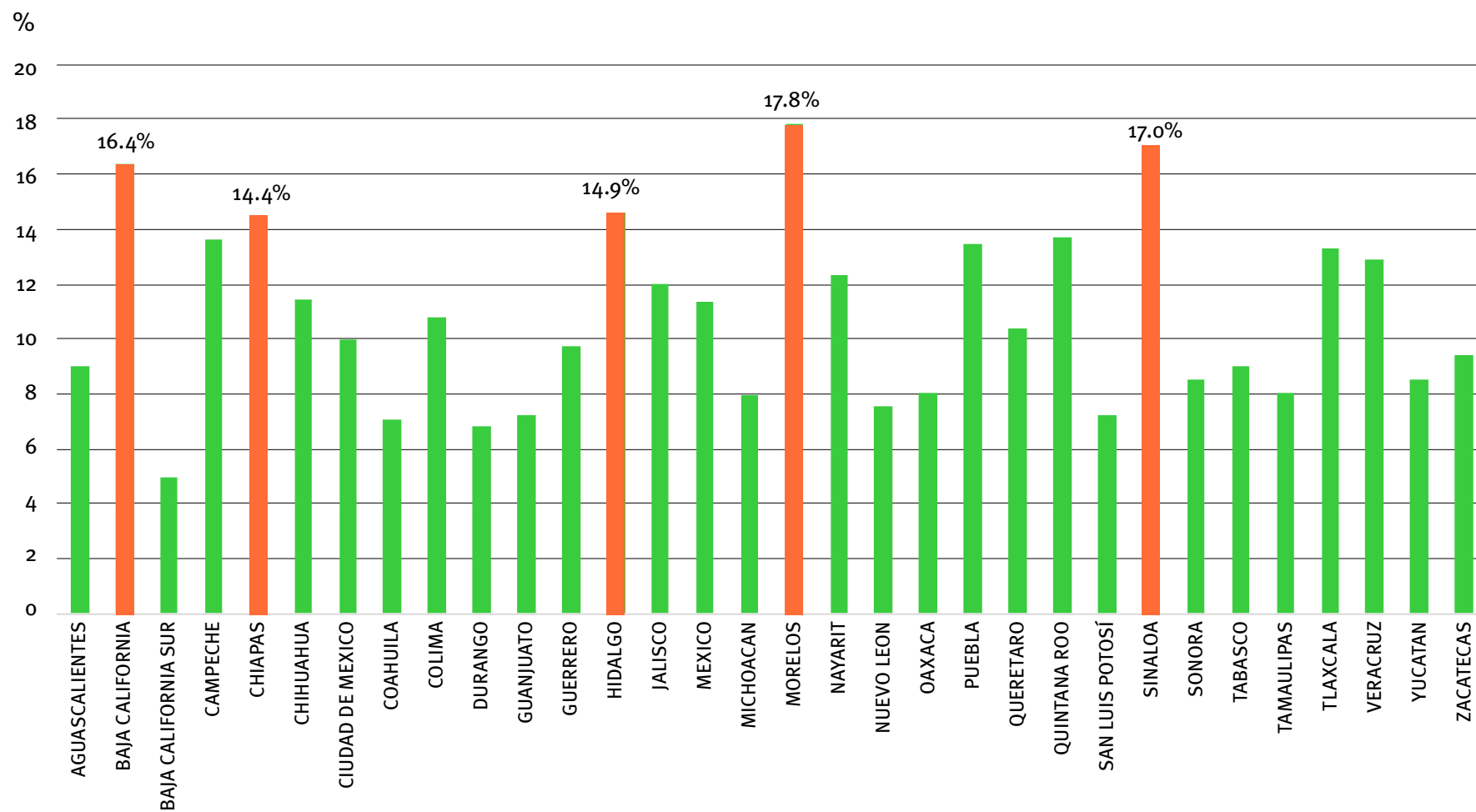
By September 21st, the nosocomial occupancy element, from 30 thousand 775 average beds, 9 thousand 103 were occupied, representing 30%. The entities that had the highest occupancy were Nayarit (54%), Colima (52%), Nuevo León (47%), and Mexico City (47%).<sup>9</sup> By August 17th, it was still high, although less than what happened at the start of the month. From a total of 31,748 beds, 12,152 were occupied, which represents 38%. The entities with a higher

<sup>9</sup> <https://tinyurl.com/yxhe48aj>



*Image:* a paramedic comforts a colleague, at the Hospital of the Americas in Ecatepec, Mexico City, on 2 May, 2020. Photo: Cristopher Rogel Blanquet / Getty Images in <https://www.latimes.com/espanol/mexico/articulo/2020-05-06/el-fragil-sistema-sanitario-de-mexico-se-queda-sin-espacio-para-los-pacientes-con-coronavirus>.

GRAPH 3. LETHALITY RATE



Source: In-house elaboration with information from General Epidemiology Directorate of the Federal Secretariat of Health by October 10th, 2020.

occupation were Nuevo León (63%), Nayarit (63%), Coahuila (55%), Colima (51%), and Puebla (48%).

Concerning beds with ventilation support for the respiratory system, by September 21st, an occupancy of 2 thousand 568 from 10 thousand 503 beds was counted, representing 24%. The entities with the highest percentages were Mexico City (41%), Aguascalientes (40%), and Nuevo León (34%).<sup>10</sup> By August 17th, the total of this type of bed was 34%. The entities with the highest percentages were Nuevo León and Colima, getting closer to 60%.

With a number of deaths higher than 75 thousand, the COVID-19 pandemic has managed to become the fourth cause of death in the last six months in our country, despite counting since the first months of the year. The number of deaths in 2019 for deceases and cardiovascular ailments was 149,368, diabetes mellitus 101,257, and malignant tumors 85,754. COVID-19 exceeds other causes of death like homicide with 36,656, cerebrovascular diseases with 35,300, or Influenza or Pneumonia with 28,332. The virus has infected the people with a previous ailment, like pneumonia, for example, hypertension, diabetes, or obesity, and are dying by 74%, 44%, and 24%, respectively.

<sup>10</sup> <https://tinyurl.com/yxhe48aj>

TABLE 4. DEATHS OF PEOPLE INFECTED BY COVID-19 WITH A PREVIOUS AILMENT		
AILMENT	Percentage (%)	Total fatalities
Pneumonia	69.9	58,813
Hypertension	42.8	36,013
Diabetes	37.1	31,247
Obesity	19.2	19,198
Tobacco use	7.1	7,145
Chronic kidney failure	6.3	6,281
Cardiovascular	4.8	4,798
COPD	4.4	4,395

*Source:* In-house elaboration with information from General Epidemiology Directorate of the Federal Secretariat of Health by August 27th, 2020.

As a result of the failed sanitary strategy, 42.5% of the country's fatalities registered during the first four days of being admitted to the hospital.<sup>11</sup> These people presented symptoms of the disease, on average, for 4.7 days before their respective admittance. People that died after day 4, meaning from the fifth to the 31st of the month, recorded on average: 4.1 days of symptoms before their admittance hospital admittance.

A severe fact is that 48% of the people infected with the virus and goes to the Intensive Care Unit (UCI for its acronym in Spanish) are dying. From them, 20% of the people had to be intubated, with a ratio of 55% males and 45% females.

Concerning the most vulnerable sectors, like the indigenous communities, 60.5% of the people who speak a native tongue and infected by COVID-19 do not count on health services or medical expenses. 38.50% of this group of people that was able to be admitted to a hospital has passed. While 12% of the cases that did not require hospitalization, meaning they need outpatient treatment, later passed away outside of the health services. This vulnerable group

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<sup>11</sup> While for a time-lapse of 15 days, the death percentage is of 86.5%. In-house elaboration of Vital Signals with information from General Epidemiology Directorate of the Federal Secretariat of Health by August 27th, 2020.

**48% of the people infected with the virus and goes to the Intensive Care Unit (UCI for its acronym in Spanish) are dying.**

registers a lethality rate of 17.25%, more than 60% above the national average.

If we focus in a sector somewhat explored by the public health analysis, the case of contagion of COVID-19 in pregnant women in Mexico, we find that by September 20th, we had 5 thousand 183 cases of contagion. Seventy-seven of them passed away from that number, leaving this sector with a lethality rate of 1.48%,<sup>12</sup> which is the least vulnerable group on coronavirus lethality. By September, the states that show a higher number of contagions in this category were Mexico City, Mexico State, and Tabasco. Simultaneously, the headliners on the list in fatalities were Tabasco, Mexico City, Baja California, and Puebla.

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<sup>12</sup><https://tinyurl.com/y5md9887>



The use of testing to detect the virus has been decisive to contain its spread and to know, with high precision, the contagion and affection zones. At a world level, Mexico is the number 42nd in terms of the application of tests. It is also the country with the least number of tests for each thousandth habitant in the whole American continent. That is to say, it has only applied 1.52% of the tests compared with the United States of America, for example.

Likewise, from April to August at a national level, there were 188 thousand 549<sup>13</sup> extra deaths, compared with what was expected for 2020, which represents a factor of 2.8 to 1 compared to the fatalities reported for COVID-19 in the same time-lapse—being the states of Mexico, Morelos, and Veracruz the entities with a factor of fatalities higher than 3.5 to 1.

In this sense, the number of deaths caused directly and indirectly by the pandemic reach by September 20th, 210,000.

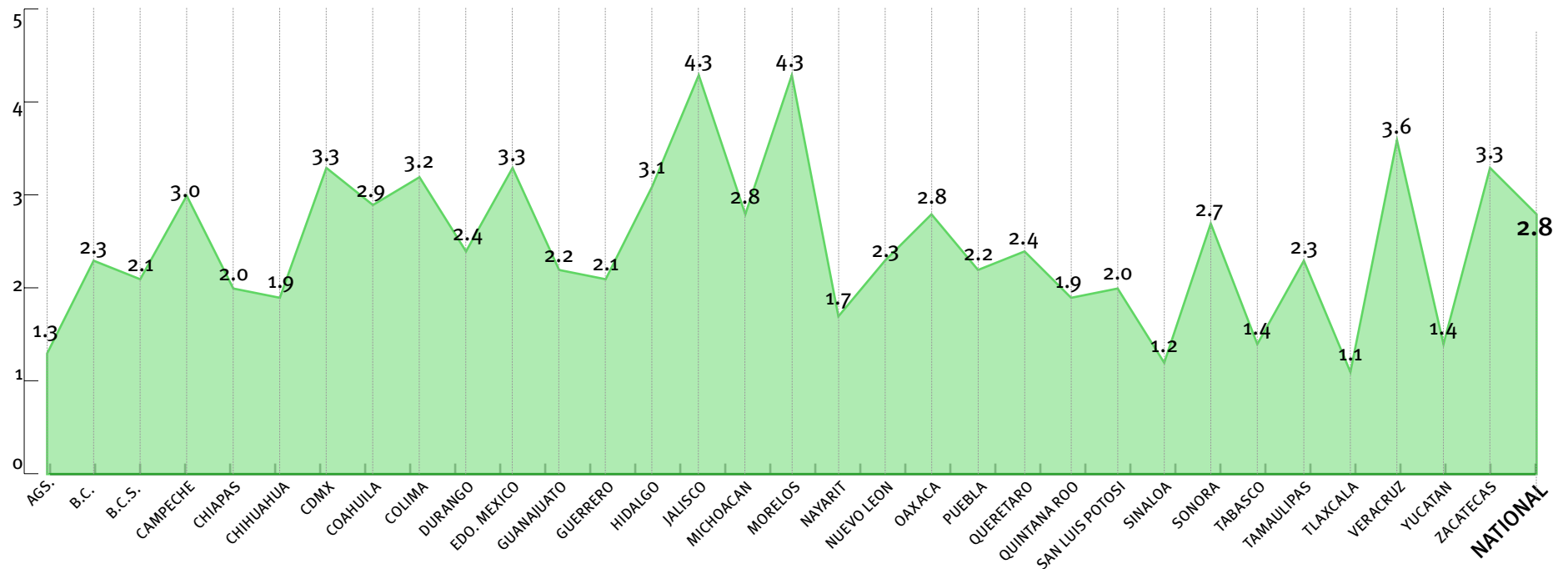
<sup>13</sup> In-house elaboration considering the 32 entities with information from the Statistical Bulletin of Mortality Excess in all causes: <https://tinyurl.com/yxtenajh> & General Mortality of Mexico, INEGI (The National Institute of Statistics and Geography for its acronym in Spanish). <https://tinyurl.com/yy62xong>

TABLE 5. NUMBER OF APPLICATIONS OF TESTS BY COUNTRY BY 22 SEPTEMBER				
No.	Country	Total of tests	Tests in millions	Tests per thousand inhabitants
1	United States of America	99,473,839	99,5	300,125
2	Canada	6,698,544	6,7	177,133
3	Colombia	3,424,537	3,42	67,142
4	Chile	3,068,544	3,06	160,211
5	Mexico	1,589,975	1,6	12,303
6	Cuba	554.425	0,55	48,956
7	El Salvador	367.920	0,36	56,659
8	Panama	437.706	0,43	101,091
9	Ecuador	392.684	0,39	22,182
10	Bolivia	288.806	0,28	24,666

Source: Our World in Data: <https://tinyurl.com/SvR2OWDpru>



GRAPH 4. THE FACTOR OF FATALITIES BY COVID-19, COMPARED TO THE EXTRA DEATHS PER ENTITY AND NATION.



Source: In-house elaboration with information from the Statistical Bulletin of Mortality Excess in all causes: <https://tinyurl.com/yxtenajh>

## THE VULNERABILITY OF HEALTH'S WORKERS

Despite the efforts of those in the front lines of the battlefield for the COVID-19 pandemic, nor the government nor the health authorities have concentrated efforts to redirect the attention to health workers who claim for more and better working conditions. By August, the number of people that had passed away and worked in this sector represented 2.1%.

In Mexico, 100 thousand confirmed health workers have been recorded with a contagion of the virus. Nurses show a higher number of contagion with 42%, followed by other personnel types in the sector with 28%, and physicians with 27%. From the confirmed cases,<sup>14</sup> 47% suffered from obesity, 30% hypertension, and 19% diabetes and tobacco use. It was also detected that 36% of them had more than one comorbidity.

Concerning deaths, it is validated that Mexico is still one of the countries with a higher number of fatalities in medical personnel worldwide.

<sup>14</sup> Gathered information from the federal government press conference of August 25th, 2020. Health personnel infected with COVID-19; 97,632.

TABLE 6. CONFIRMED CUMULATED CASES OF HEALTH PERSONNEL

		Cases	%
Confirmed cumulated		97,632	
Type of health personnel	Nurses	41,005	42%
	Other personnel in the sector	27,337	28%
	Physicians	26,361	27%
	Lab technician	1,953	2%
	Dentist	976	1%

Source: In-house elaboration with information from the Secretariat of Health, COVID-19 Press Conference from August 19th to 25th, 2020.

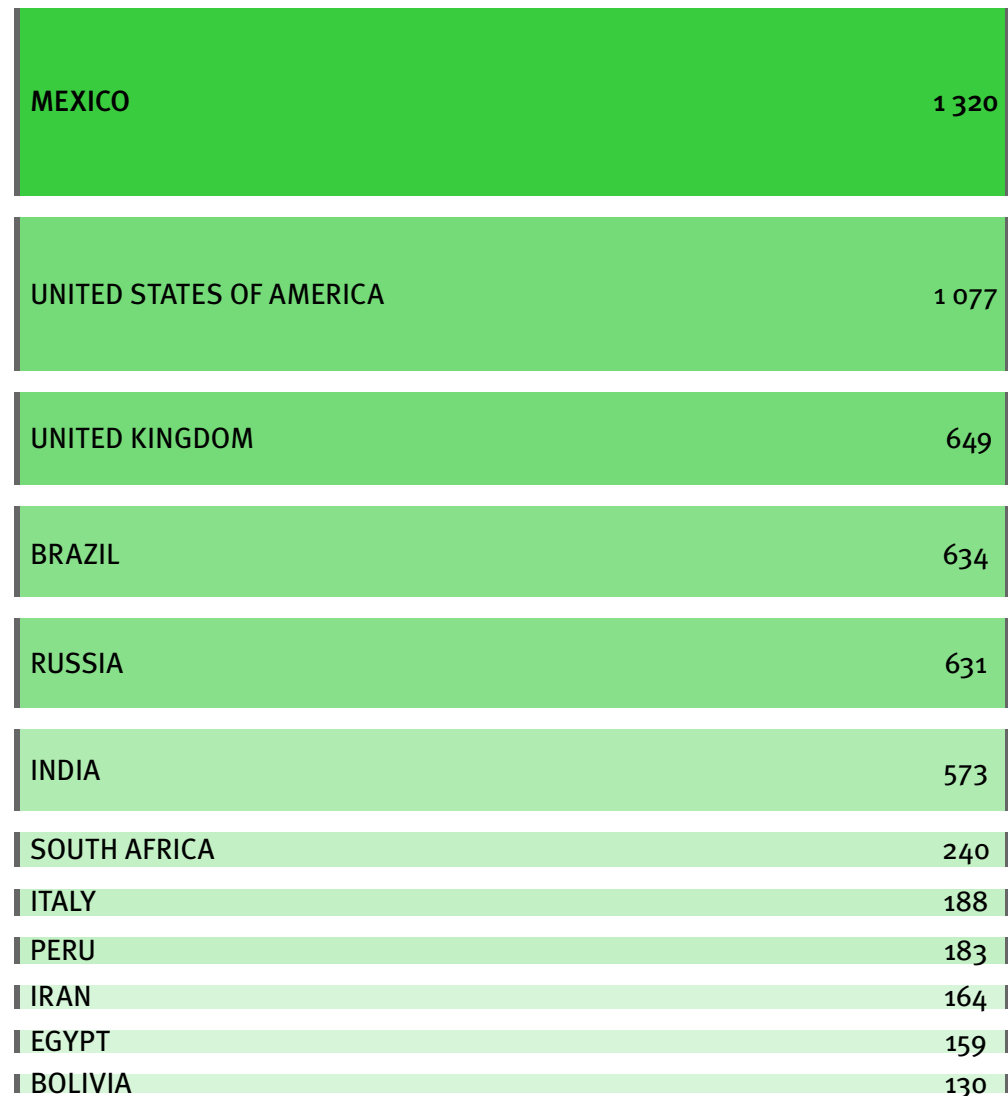
Considering the whole health personnel level: 1,320 deaths by August 25th have been quantified. 49% pertains to medical personnel, 30% of other workers from the sector, and 17% to nurses. Mexico City, Puebla, Veracruz, and Tabasco, are the entities with the highest fatalities' number from health personnel.

Vital Signals forecast on the number of deaths within the country's health sector by October 1st is 1,953, representing 2.5% of the total fatalities for that date. Towards the end of the year, meaning for December 31st, this number will rise to 2,936 fatalities, retaining the same forecast of 2.1%. Concerning the number of total fatalities to that date.<sup>15</sup>

Likewise, it is noted that the official death number due to COVID-19 towards the year's end will be close to 140 thousand. By much, the figure surpasses calculations made by the federal Secretariat of Health, where it forecasted between 6 to 10 thousand deaths by COVID-19. Mid-August exceeded the catastrophic scene painted on the same date by the undersecretary López Gatell of 60,000 fatalities.

<sup>15</sup> Vital Signals elaboration, with information from the Secretariat of Health, General Epidemiology Directorate, using the mathematical method of the fourth degree of polynomial regression.

GRAPH 5: DEATHS OF MEDICAL PERSONNEL IN 12 COUNTRIES



Source: Chertorivsky, et al. La gestión de la pandemia en México [Management of the pandemic in Mexico]. Análisis preliminar y recomendaciones urgentes Pensando en México [Preliminary analysis and immediate recommendations thinking of Mexico], 2020. <https://tinyurl.com/y4hkkoor>

The health personnel is much more exposed to the virus in Mexico than in other countries, due to various causes like the lack of infrastructure and equipment, absence of training and human resources, among other shortages. However, that is not the only vulnerability the sector is facing. According to the ONU (United Nations for its acronym in Spanish),<sup>16</sup> health workers are also suffering from a growth in violence, with attacks motivated by fear and misinformation.

According to the database of Humanitarian Workers Security, the attacks against humanitarian workers surpassed all the records in the previous year, with more than 480 attacked, wounded, or with some grievance. The United Nations Population Fund (UNFPA) recognizes that female humanitarian and health workers face higher risks. Women constitute around 70%<sup>17</sup> of the social services and health personnel, where it is more likely they suffer from insecure working conditions and unequal safety material and support.

<sup>16</sup> ONU México recuperado el 19 agosto 2020 a las 09:31 de[UN Mexico recovered August 19th, 2020 at 09:31]: <https://tinyurl.com/SVr2onupersa>

<sup>17</sup> ONU México recuperado el 19 agosto 2020 a las 09:31 de[UN Mexico recovered August 19th, 2020 at 09:31]: <https://tinyurl.com/svr2onupersa2>

**TABLE 7. CUMULATED DEATHS WITHIN THE HEALTH SECTOR**

		Cases	%
Cumulated Deaths		1,320	
Type of Health Personnel	Physicians	647	49%
	Other Workers From The Sector	396	30%
	Nurses	224	17%
	Dentists	27	2%
	Lab Technicians	26	2%

*Source:* In-house elaboration with information from the Secretariat of Health, COVID-19 Press Conference from August 19th to 25th, 2020.

**TABLE 8. FORECAST OF DEATHS OF HEALTH PERSONNEL**

Source	Date	Deaths in Health Personnel	General Deaths
VS Report 1	06/16/2020	643	24,733
Secretariat of Health, General Epidemiology Directorate	08/25/2020	1,320	65,454
Forecast	07/17/2020	861	42,190
	08/16/2020	1,164	57,020
	09/17/2020	1,509	73,916
	12/31/2020	2,936	13,979

*Source:* In-house elaboration with information from Vital Signals.

## PERSISTENCE OF INADEQUATE MEASURES TO PANDEMIC MANAGEMENT

The current government has not met the expected results in the containment of the pandemic. On several occasions, the federal authorities have shown the lack of appropriate strategies and have been victims of their own illusions by not reaching the goals and objectives they have posed for themselves. Out of several examples, these can be quoted, the mobility of the population and the coordination of state governments, just to mention a few.

According to the COVID-19 community mobility reports from Google, Mexico has not sufficiently reduced people's movement. During May, the most vital moment of the social distancing policies, the category named stores and leisure, registered mobility of -53%, while by September 11th, it was of -17%. For the supermarket and pharmacies category, the corresponding figures are -19% by the end of May, and -2% by September 11th.

In the Transportation Stations in May, it was reported -56%, and by September, it reached -38%. Likewise, in the Parks category, an increase in mobility was re-

corded of 38 percentage points, approximately going from -44% in May to -6% in September.

One of the hypotheses that justify the increase in mobility is the passing to the COVID-19 traffic light management, the next phase of the pandemic management announced by the government. Without an adequate organization, planning, and execution, with dates and times defined without scientific fundamentals, this instrument has shown not only to be a distrustful source but has also caused confusion, distractions, and misinformation by the government to all the population in the country.

Without a proper strategy on its management and lacking an appropriate proficiency for dissemination, the traffic light became a Russian roulette, in which the change of colors (or levels of restriction) was done recklessly from one week to another, without taking count of the times of incubation and spread of the virus. Likewise, it considers municipalities in the country that have a different color than the adjacent municipality, and given the intense flow of people

TABLE 9.1 CITIZEN MOBILITY IN FEBRUARY, MAY, AND SEPTEMBER 2020

Country	Stores and leisure			Supermarkets and pharmacies			Parks		
	February	May	September	February	May	September	February	May	September
Mexico	-2	-53	-17	-2	-19	-2	7	-44	-6
United States of America	4	-28	-12	1	-8	-5	9	60	69
Hong Kong	-24	-21	-14	-9	-8	5	-9	-25	-12
Spain	-2	-44	-11	-1	-17	-11	17	8	67
Italy	-6	-43	7	5	-38	0	20	13	92
Russia	2	-23	14	3	-3	17	2	18	87
Brazil	-31	-53	3	-29	-12	27	51	-50	9
France	1	-34	-2	1	-8	-1	23	17	111
Peru	1	-75	-34	0	-41	-19	1	-52	-20
Germany	-1	-16	9	-1	-2	2	15	33	163
United Kingdom	-1	-64	-16	4	-23	-4	3	136	97
India	-1	-71	-26	-2	-19	1	3	-55	-41
Japan	0	-22	-6	7	2	1	0	2	19

\* The months of February and May were compared with the 25th day, while the information for September was on the 11th, the most recent one.

Source: In-house elaboration with information from <https://www.google.com/covid19/mobility/>



Image: Angélica Escobar/Forbes México at <https://www.forbes.com.mx/noticias-estados-movilidad-alerta-covid-19/>

among them, it is not viable to consider different levels of restriction of color.

Under this outline, despite that different federative entities are found in the maximum alert level, which represents a high risk of contagion of COVID-19, in some of them has been decided to resume economic activities, in an apparent inconsistency with the

epidemiological traffic light. i.e., the decision of San Luis Potosí, where regardless of the increase of the figures in confirmed cases of fatalities and nosocomial occupancy of the entity and the federal indications, the instruction to activate commerce and other businesses in the entity was given.



TABLE 9.2. CITIZEN MOBILITY IN FEBRUARY, MAY, AND SEPTEMBER 2020

Country	Transportation Stations			Work Places			Residential areas		
	February	May	September	February	May	September	February	May	September
Mexico	2	-56	-38	6	-43	-31	-1	20	13
United States of America	2	-48	-30	2	-72	-34	0	2	8
Hong Kong	-31	-26	-19	-19	-12	-19	15	12	12
Spain	3	-44	-36	-6	-44	-39	1	15	6
Italy	-18	-35	-23	-15	-9	-29	5	5	1
Russia	5	-29	1	4	-32	-29	0	7	-3
Brazil	-35	-52	-16	-61	-34	-10	10	18	9
France	-3	-46	-4	-14	-42	-30	4	15	1
Peru	0	-64	-50	0	-60	-41	0	32	22
Germany	-5	-31	-8	-13	-27	-22	4	8	2
United Kingdom	1	-60	-28	1	-77	-39	0	24	8
India	1	-51	-36	1	-51	-36	0	22	14
Japan	-2	-35	-20	1	-18	-13	1	10	6

\*The months of February and May were compared with the 25th day, while the information for September was on the 11th, the most recent one.

Source: In-house elaboration with information from <https://www.google.com/covid19/mobility/>

On the other hand, several federative entities have adopted measures against the federal government's mandated ones.<sup>18</sup> Lack of coordination has been found, which causes many federative entities, no matter their party allegiance, to take independent measures and promote action packages and strategies to face the pandemic. An unusual event, governors from ten entities, requested the resignation of the head of the Undersecretary for Prevention and the Promotion of Health of the Secretariat of Health. Even if this action could prosper with the original intent, it is essential to highlight a failed strategy's unrest. The implications of this action go beyond the sum of good wills or the collection of strategic allegiances. It reveals first hand the problematic situation in which the country is and the ineffective with which this national crisis has been managed. These open the possibility for these types of coalitions and resolutions to become a reality in months to come. In fact, on August 7th, those ten governors abandoned the National Conference of Governors.

Again, this fact externalizes the flimsy strategy with which the federal government counts to attend, reconcile, and offload the entities' needs and demands. This legal-administrative disarray weakens the usual channels with which the federal and state governments exchange resolutions. So far, the result of testing this new route is not very flattering. Increasingly governments can be seen as much as a ruling axis of policies or as a resistance element on the decisions the federal authority takes.

**Ten governors abandoned the National Conference of Governors, this fact externalizes the flimsy strategy with which the federal government counts to attend, reconcile, and offload the entities' needs and demands.**

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<sup>18</sup> Cuaderno de investigación No. 7. Senado de la República  
<https://tinyurl.com/SvRzedo>

## 2 THE EFFECT IN THE ECONOMY REACHED THE BOTTOM IN MAY AND IS RECOVERING SLOWLY

As an added consequence to the pandemic's health problem, we face the highest fall on GDP in Mexico's modern history,  $-18.7\%$  in June 2020, compared with the same trimester of 2019 and  $-17.1\%$  compared to the previous trimester. According to the GDP information of different countries, Mexico is the fourth economy with the highest disturbance globally, only surpassed by Spain, the United Kingdom, and France.

The secondary activities have been the most affected with a  $-26\%$  reduction of the annual rate, followed by the tertiary with a decrease of  $-15.6\%$  in the same time frame. Finally, the primary sector has had a negative variation of only  $-0.3\%$ , which has not stopped.

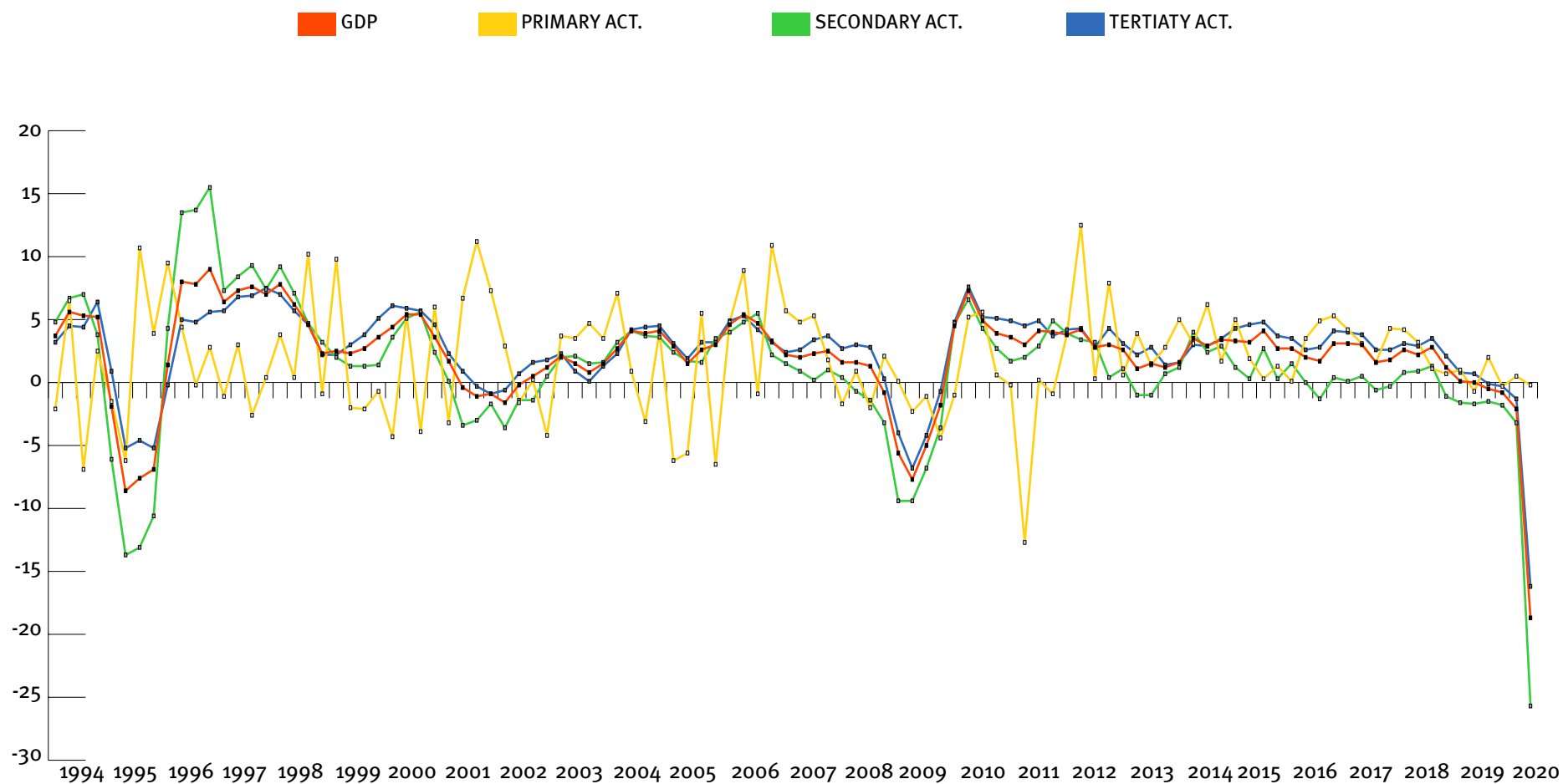
For its part, the gross fixed capital formation shows a clear downward trend since February 2019. Despite that, in May that contraction was highlighted, due to the stop in the economy, this indicator already had 15 months with a downward growth. Notwithstanding, by May, the variation is  $-38.7\%$ , such contraction is only similar to the 1994 crisis. The machinery and equipment fall stands out with  $-43.7\%$ . The aggrega-



*Image:* entrance of the Central de abastos CDMX Photo: Agencia EL UNIVERSAL/Diego Simón Sánchez/RDB at <https://www.expreso.com.mx/seccion/mexico/176484-176484.html>

ted indicator shows such a high setback that its value could be tantamount to April 1998. By June 2020, the aggregated indicator shows a setback tantamount to October 2004. The setback in investments will lead the economy to a delay greater than 12 years since the loss of assets will represent the economy's main obstacles to retake the path to future growth.

GRAPH 6. ANNUAL GDP VARIATION COMPARED TO THE SAME TRIMESTER OF THE PREVIOUS YEAR BY ACTIVITY (ADJUSTED FIGURES, 2013=100)



Source: In-house elaboration with information from INEGI

Apart from the previous, the closure of the economy has put in danger a great number of companies. It is forecasted that approximately 451 thousand companies could permanently close in Mexico, representing 24% of the country's companies. Furthermore, at least 60 thousand companies (Pymes, small and medium-sized companies for its acronym in Spanish) exist that are going through a complicated situation that threatens their finances and with it its possible bankruptcy (Read the alert "The other pandemic: the business closure contagion" in this report). According to The Economic Impact Caused by COVID-19 in the Companies Survey (ECOVID-IE for its acronym in Spanish), the companies have received low patronages. Only 8 out of 100 companies in Mexico have received some sort of support, and only seven have been government patronages (on its three levels of government). According to forecasts at Harvard University, the Mexican government's net transference to the economy (removing credits) is equivalent to 0.18% of the GDP.

Likewise, family income has reduced due to the loss of employment and the decrease in working hours. The Global Index of Occupied Personnel in Economic Sectors (IGPOSE for its acronym in Spanish), which represents an estimate of the nonagricultural sector's

**It is forecasted that approximately 451 thousand companies could permanently close in Mexico, representing 24% of the country's companies.**

**Only 8 out of 100 companies in Mexico have received some sort of support, and only seven have been government patronages, on its three levels of government.**

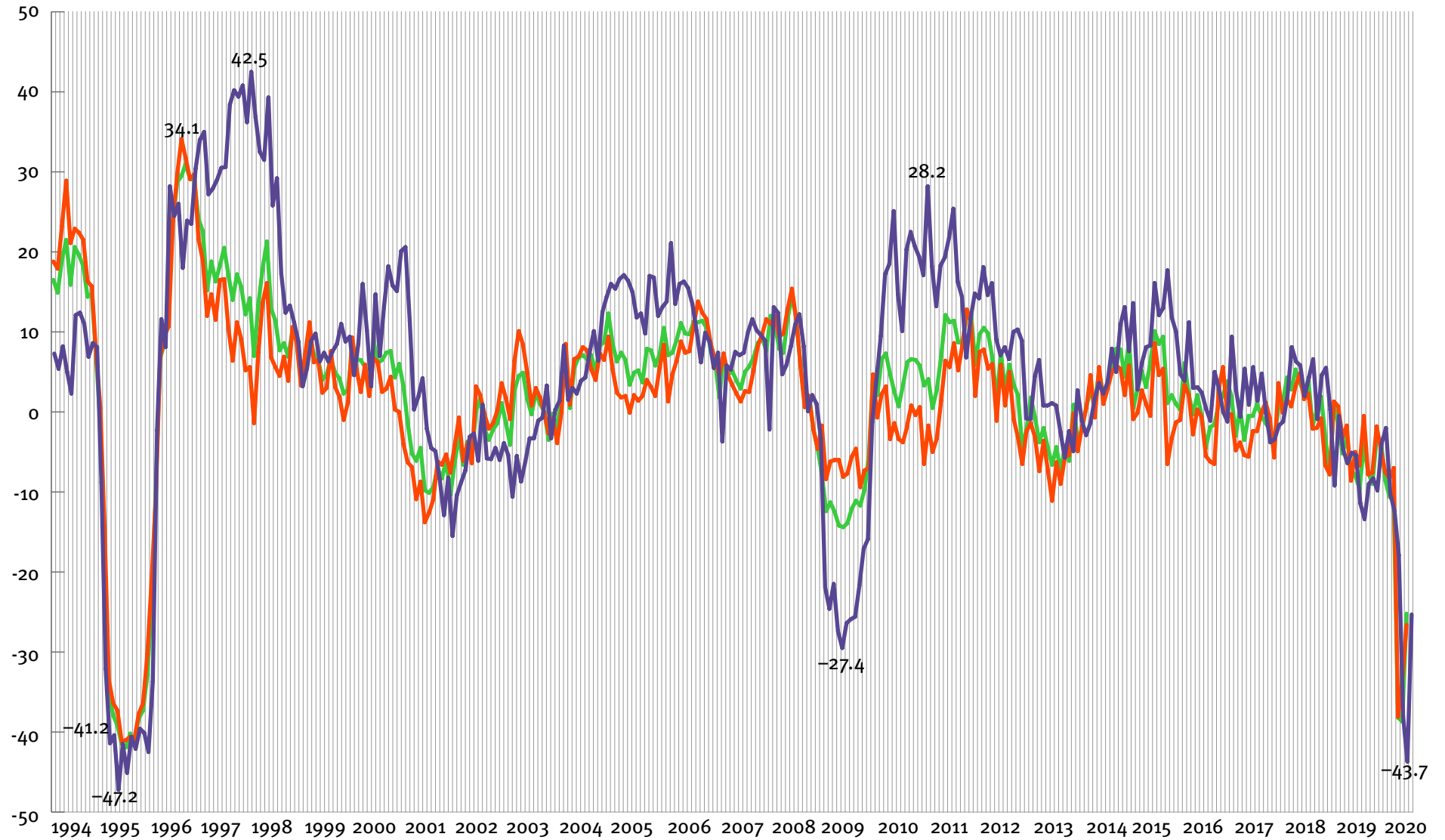
GRAPH 7. MONTHLY GROSS FIXED CAPITAL FORMATION INDICATOR (2013=100)

MONTHLY  
VARIATION 100%

TOTAL

MACHINERY & EQUIPMENT

CONSTRUCTION



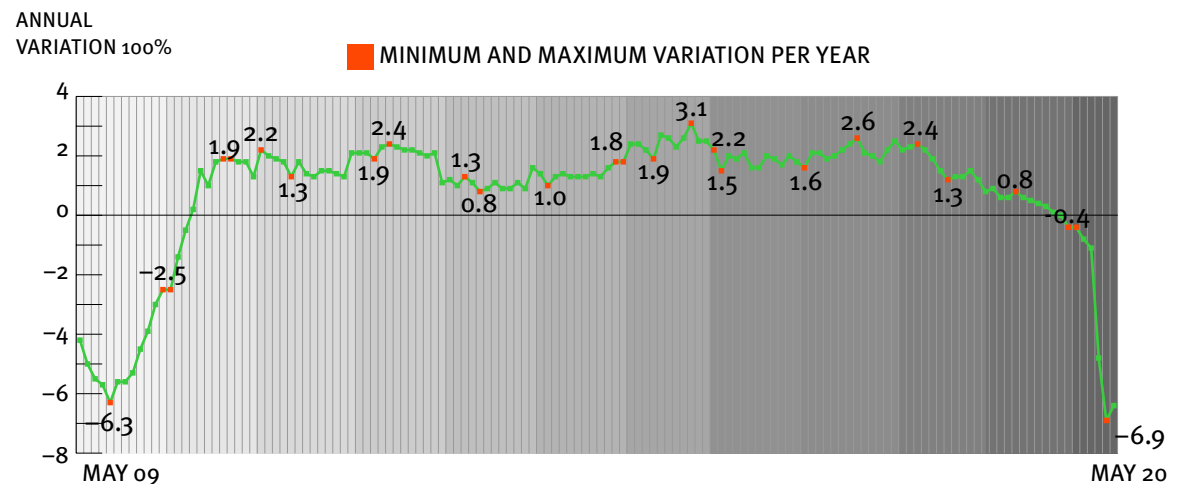
Source: In-house elaboration with information from INEGI.

active personnel, shows no growth since November 2019 and negative growth since December of the same year. By May, the annual rate variation is  $-6.9\%$ , the lowest since the measurement indicator in 2008. By June 2020, the indicator shows a slight recovery of  $.03\%$  compared to the previous year. The compensations of the nonagricultural sectors have diminished by  $-8.7\%$  (compared to June 2019) according to the Global Index of Compensations in Economic Sectors (IGRESE for its acronym in Spanish), after a one percentage point between May and June of 2020.

By extension, the level of arrearage of companies, specially Pymes, has surpassed from  $5.9\%$  to  $6.4\%$  from February to June 2020, almost three times higher than Arrearage Index (IMOR, for its acronym in Spanish) from the whole portfolio, even though contagion to the financial sector has been contained.

A sign that the drop reached the bottom, and it is slowly recovering, is the purchasing behavior. A monthly decrease of  $-19.6\%$  in April later, with the partial openings of some subnational economies, the purchasing during May only decreased by  $-1.7\%$ , and by June, it can be seen a recovery of  $5.5\%$  compared to the month before. Notwithstanding, the annual rate of purchasing shows a delay of  $-19.6\%$  in June 2020.

GRAPH 8. ANNUAL VARIATION IGPOSE



Source: In-house elaboration with information from INEGI.

The level of arrearage of companies, specially Pymes, has surpassed from  $5.9\%$  to  $6.4\%$  from February to June 2020, almost three times higher.

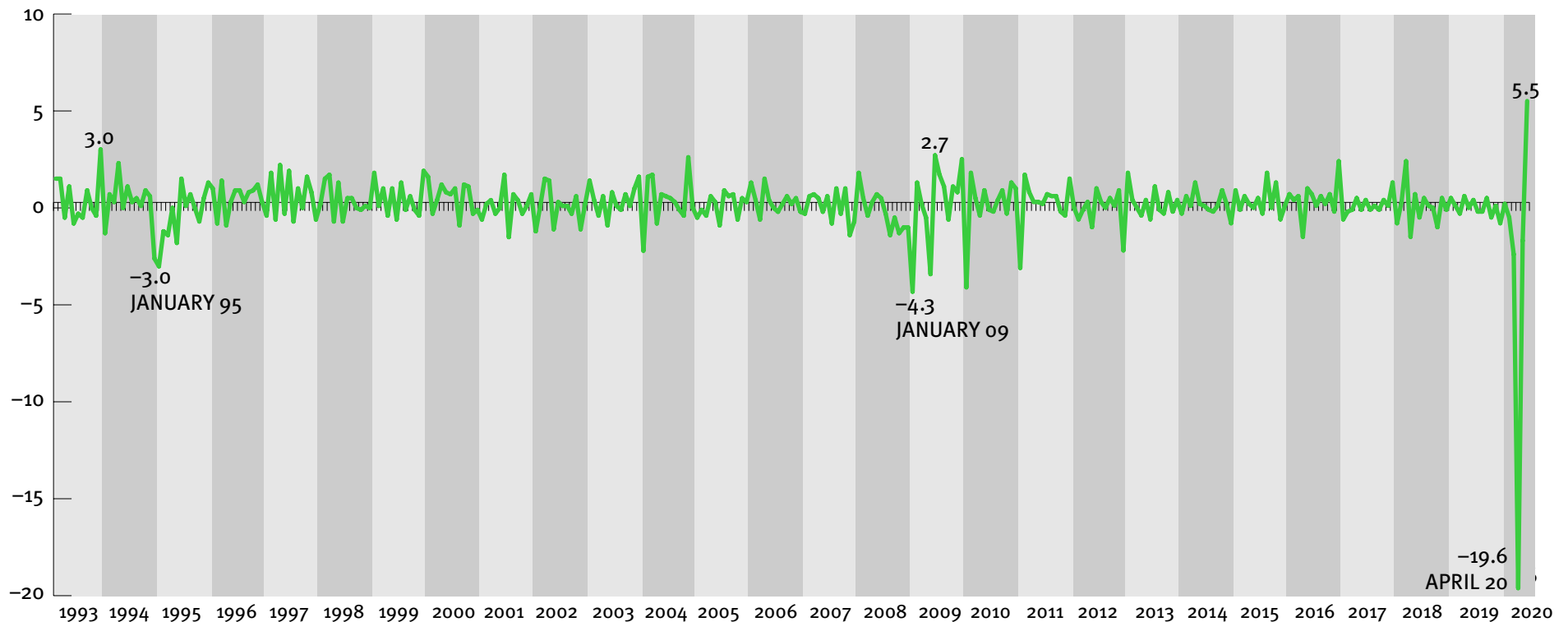


Another indicator that shows a similar behavior, by August, is purchasing through bank cards in Mexico. After reaching the minimum levels in April, it reached 9% by September 20th, 2020. Although slow, the progress is better positioned than Colombia, and besides shows a more stable behavior than Argentina or Tur-

key. It also must be noted that, by August 5th, of the current year, it shows a positive growth rate so far, bringing the total number of uninterrupted recovery from the start of the sanitary emergency to six weeks.

By sector, the purchasing with a card by September 20th, 2020, is found despondent –compared to the

GRAPH 9. MONTHLY VARIATION OF PRIVATE PURCHASING

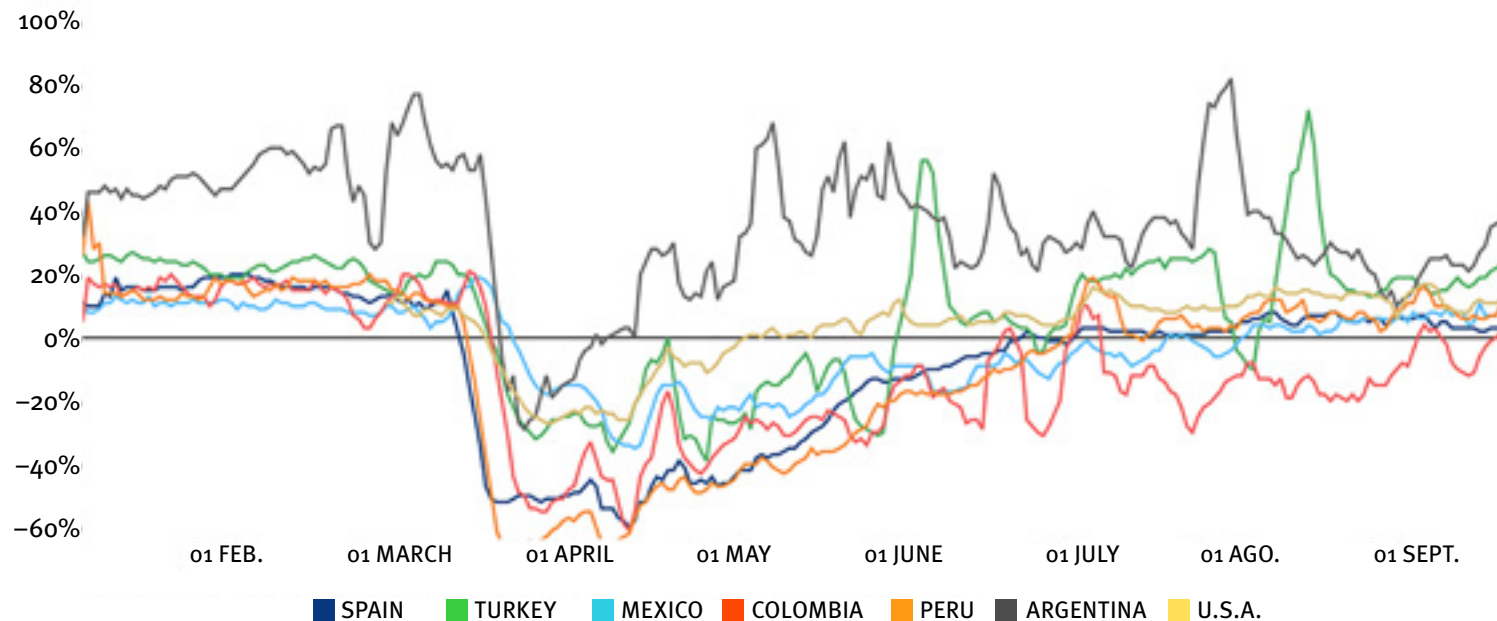


Source: In-house elaboration with information from INEGI

purchasing shown before confinement—in four of the six sectors presented by BBVA: transportation (yellow) with -50%, entertainment (blue) with -32%, hotels (purple) with -27% and restaurants (green) with -27%. Notwithstanding, the two sectors that have kept positive behavior have been food (pink) and health (Red).

The behavior shown in all manufacturing sectors shows a strong recovery in June and July 2020, after suffering a severe contraction in April and May. Although the reached levels are still in the contraction zones, according to the IMEF (Mexican Institute of Finance Executives for its acronym in Spanish) indicator, they had a relapse in August.

GRAPH 10. TOTAL PURCHASING WITH CARDS BY COUNTRY (YEAR-ON-YEAR PERCENTAGE, ACCUMULATED WEEKLY)

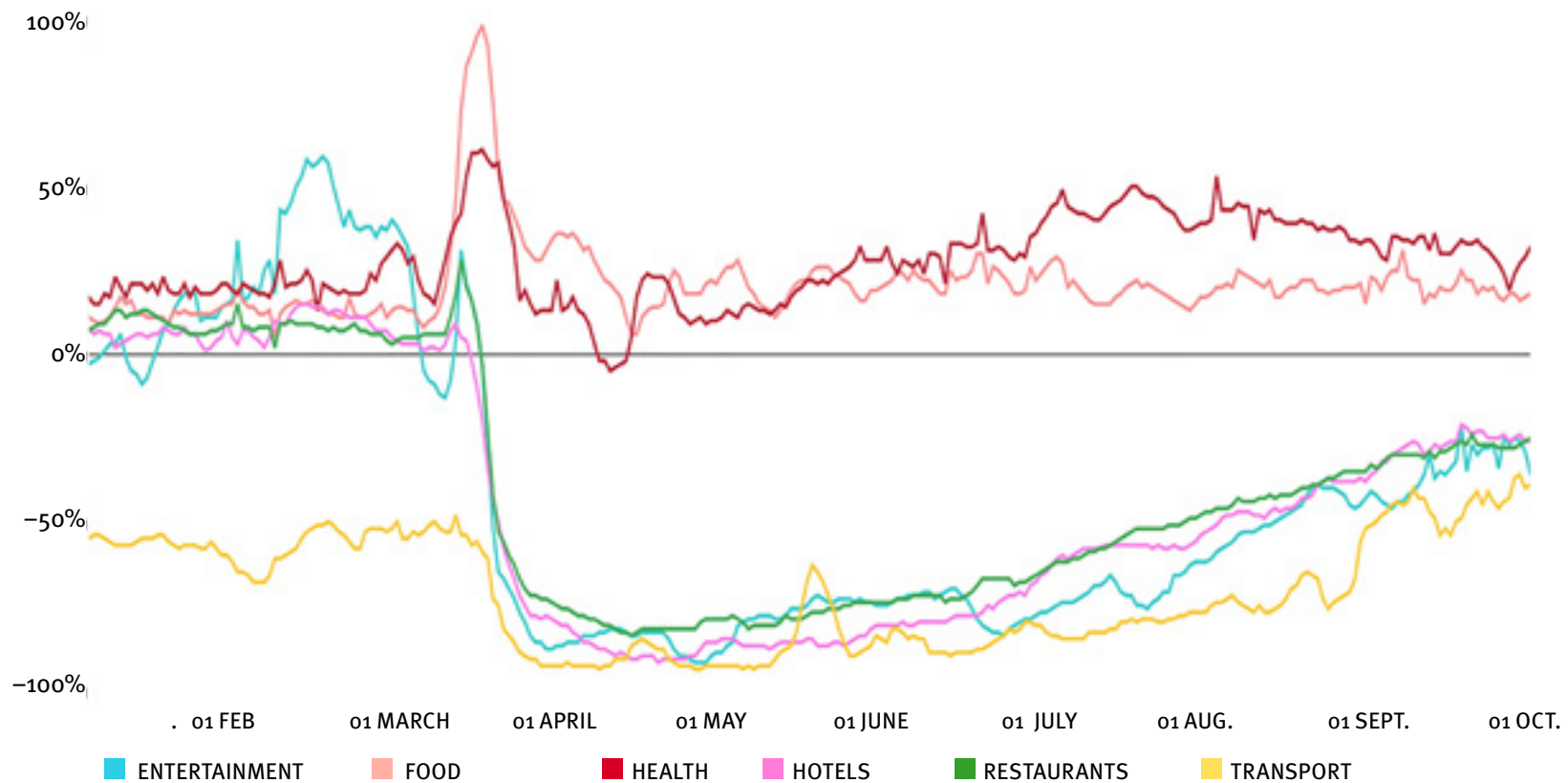


Source: BBVA Research at <https://www.bbva.com/en/special-section/charts/>.

In contrast, the primary sector of the economy, related directly with the agricultural production and food—which represents 3.9% of the total of 2020 second trimester national production—has been much more resilient and has not contracted as much as the se-

condary sector and the services due to the pandemic. It even shows by July a notable recovery of 10.6% at an annual rate, according to the Global Index of Economic Activity (IGAE).

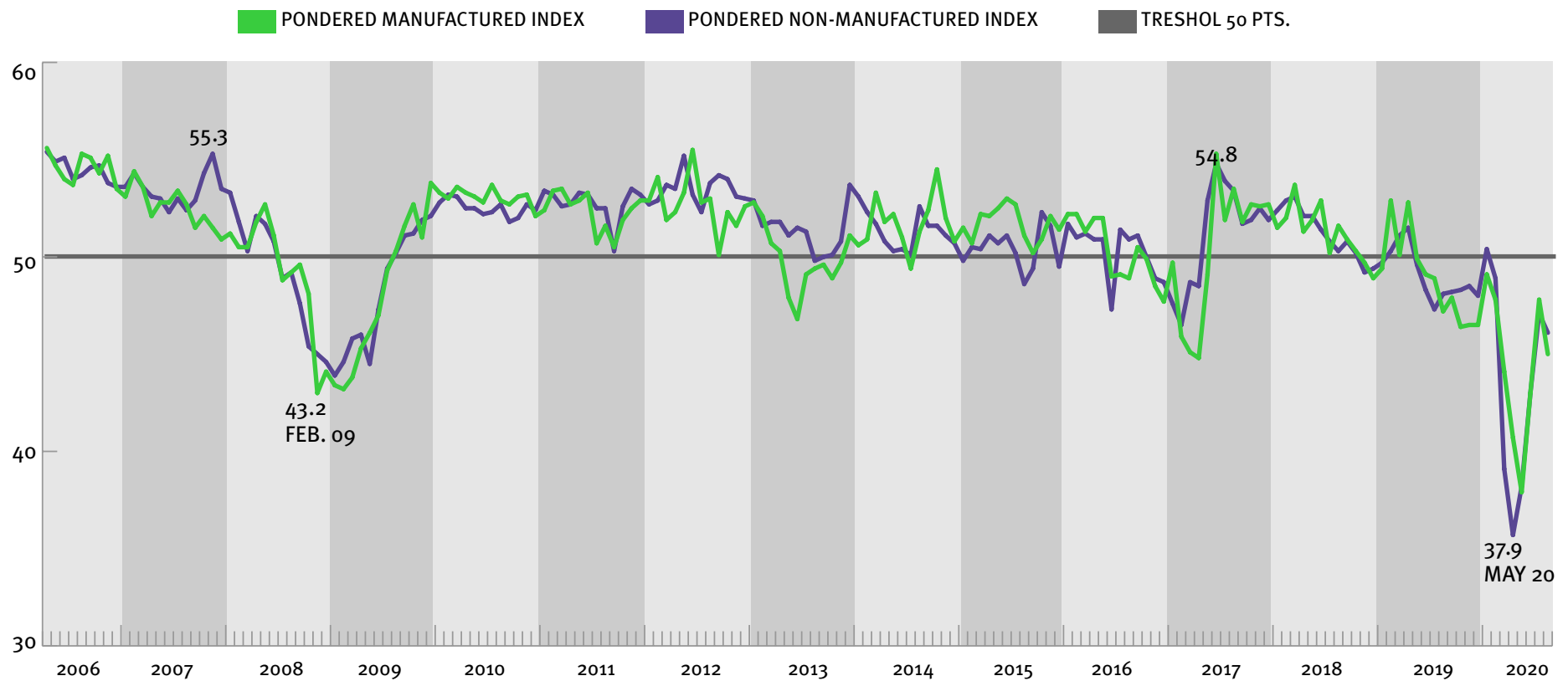
GRAPH 11. PURCHASING WITH CARDS AMONG SECTORS IN MEXICO



Source: BBVA Research at <https://www.bbva.com/en/special-section/charts/>.

On its own, the contraction of the aggregated demand at a global level, such as the travel restrictions, has placed in danger the primary income in dollars of the Mexican economy (except for the remittances), to know: tourism, petroleum, and automotive exports.

GRAPH 12. IMEF INDICATOR, MANUFACTURING, AND NON-MANUFACTURING (2005-2020)



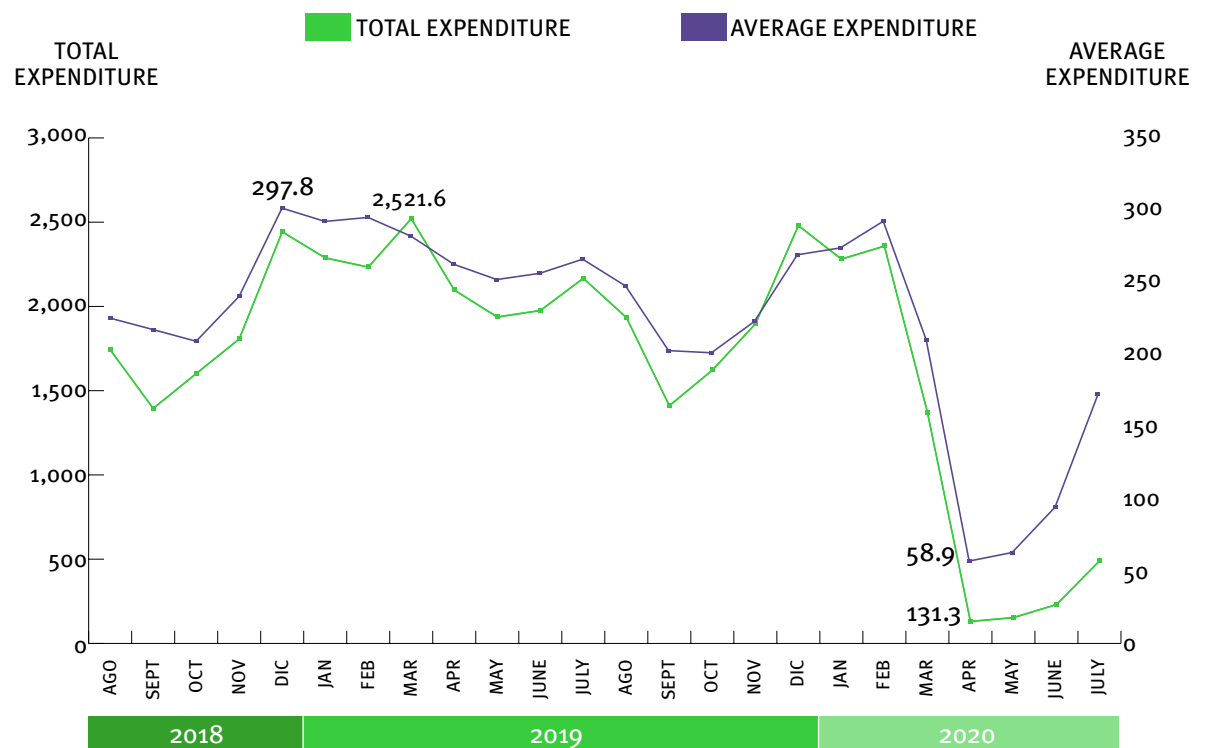
Source: In-house elaboration with information from IMEF.

Pertaining to the total expenditure of the international tourists, the year-on-year reduction between February and May was of  $-93.5\%$  for the total expenditure and  $-77.6\%$  for the average expenditure due to the sanitary contingency and confinement. Nevertheless, between June and July, they were able to have some partial recovery. The implications of the fall of the touristic product will be visible in two ways for the local economies: the shrinkage of economic activity and the decrease in labor demand. In the second place, the tax collection reduction is related to accommodation and hence, the participation incomes for next year.



Image: at Infobae.com.mx: <https://tinyurl.com/y3c-qep5j>.

GRAPH 13. TOTAL EXPENDITURE AND AVERAGE EXPENDITURE OF THE INTERNATIONAL VISITOR TO MEXICO (2018-2020)



Source: In-house elaboration with information from the International Traveler Surveys from INEGI.

A by-product of the pandemic's landscape, the petroleum market had a contraction of 10% at an international level, which brought with it a gradual increase of prices, until it reached around 40 dollars per barrel for the Mexican crude. Despite the fall in demand, PEMEX (Mexican Petroleum for its acronym in Spanish) has proposed the objective to reach the goal of 1.8 million barrels per day, which puts at risk its already weakened finances. Each barrel extracted and refined at low prices implies losses for the company (check the alert "Mexican Petroleum: the devastating pathology the country faces" in this report).

The surpluses in petroleum production have been destined for their transformation (petroleum products), which have caused three severe problems in the short term:

1. Create an excess in the offer of petroleum products, like gasoline, diesel, LP gas, fuel oil, jet fuel, among others, such as the level of inventory during April of 2020 reached a never seen before point.
2. Increase the production of fuel oil (a residue product of the refinement process), which has brought health consequences –in the middle of the sanitary crisis- of the country's central region in-

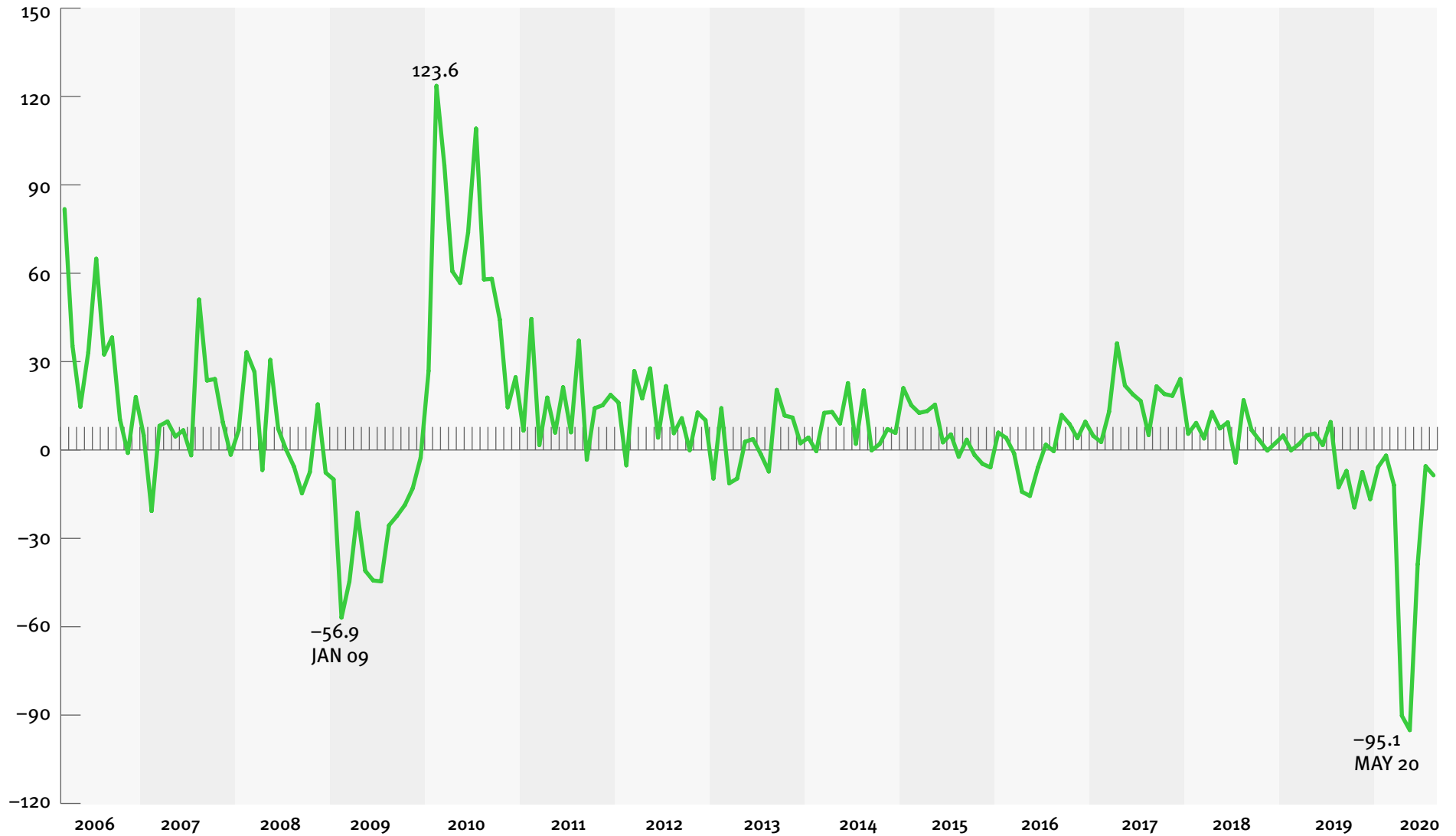
habitants, given the highly toxic contaminants that its use generates in the electric industry.

3. Intending to protect the chain of value between the Federal Electricity Commission (CFE for its acronym in Spanish) and PEMEX due to the use of fuel oil, the federal government has restricted investments in the field of clean energies.

On its own, the automotive exports decelerated since August 2019, albeit they fell -95.1% to their lower point in May 2020, they had a strong recovery in June. In the following months, it will be dependent on the economy in the United States of America, since more than 80% of the automotive exports have that destiny.

Finally, the remittances showed a historical mark in March of 4,007 million dollars and a remarkable recovery in July after their descent in April. Regrettably, this is an indicator of the problematic situation the receiving Mexican families are going through. The Mexican economy's weakness in the last years and during 2020 has not created enough labor sources, so far this year until July, the remittances of Mexicans working abroad reached 22.8 thousand million dollars, 10% more than last year.

GRAPH 14. ANNUAL VARIATION OF AUTOMOTIVE EXPORTS



Source: In-house elaboration with information from the administrative archive of the light vehicle automotive industry.



In summary, the landscape forecasted seems complicated for the Mexican economy in the following months. We are living a process of economy dismantling and accelerated undercapitalization, reflected in the contraction of inversion, which is discouraged by the lack of legal certainty, the low expectations of growth, and the growing fear of a systemic crisis. The economy seems to have reached rock bottom, and it is recovering slowly in the middle of a pandemic out of control.

**The economy seems to have reached rock bottom, and it is recovering slowly in the middle of a pandemic out of control.**

### **3 WELLNESS DETERIORATED: LOSS OF INCOME AND FOOD CONCERNS**

One of the devastating effects of the crisis in Mexico has been reducing labor and family income. These have had severe repercussions on households' well-being, the levels of poverty, inequality, and purchase of the families, especially the loss of food security.

According to the Follow up of the Effects of COVID-19 on the Wellbeing of the Mexican Households Survey<sup>19</sup> (ENCOVID-19 for its acronym in Spanish), 2-3 households declare they have seen income reductions since the quarantine started: 61.6% in March, 65% in June, and 63.4% in July. Likewise, the average reduction of income within households reported having a lower income was 47.7% in June and 48.5% in July.

The aforementioned drop in income is explained due to the loss of employment and the income reduction coming from work. The same survey shows the evolution of unemployment in Mexico in the months from April to July 2020, as shown in Graph 15.

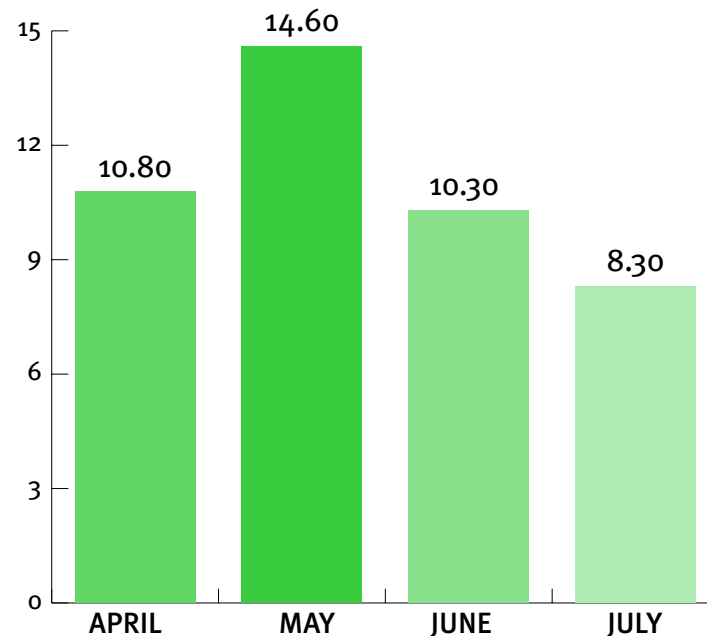
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<sup>19</sup><https://tinyurl.com/y5e555a4>

Other results of great importance are the relationship between income, and the well-being, are the following:

1. One of each three households had a 50% income reduction or more, 31.5% of the households in June, and 30.5% in July.
2. The health affection expectations for the SARS-COV-2 were raised between June and July, going from 45.7% to 60.4%. Likewise, the population with a low concern of the affection to their health decreased in the same period from 22.3% to 13.8%.
3. Given the decrease of income, the concern to have food in the household continues with an upward trend: in June, 30.8% of the households did not report any concern or difficulty accessing food, but in July, 27.2% did not report said concern or difficulty. Consequently, a decrease in food security can be observed in April and June, going from 38.9% to 37.2%.

GRAPH 15. UNEMPLOYMENT RATE (APRIL-JULY)



Source: In-house elaboration with information from ENCOVID-19.

## POVERTY AND INEQUALITY

In Mexico, the poverty levels<sup>20</sup> have been on the rise in absolute terms, going from a little more than 49.4 million people in 2008 to 32.4 million people by 2018. On the other hand, extreme poverty levels<sup>21</sup> have decreased, going from 12.3 million in 2008 to 9.3 million in 2018.<sup>22</sup>

Nevertheless, the pandemic's economic and social effects and the limited response of the government towards the emergency will make this trend to deviate heavily in 2020.

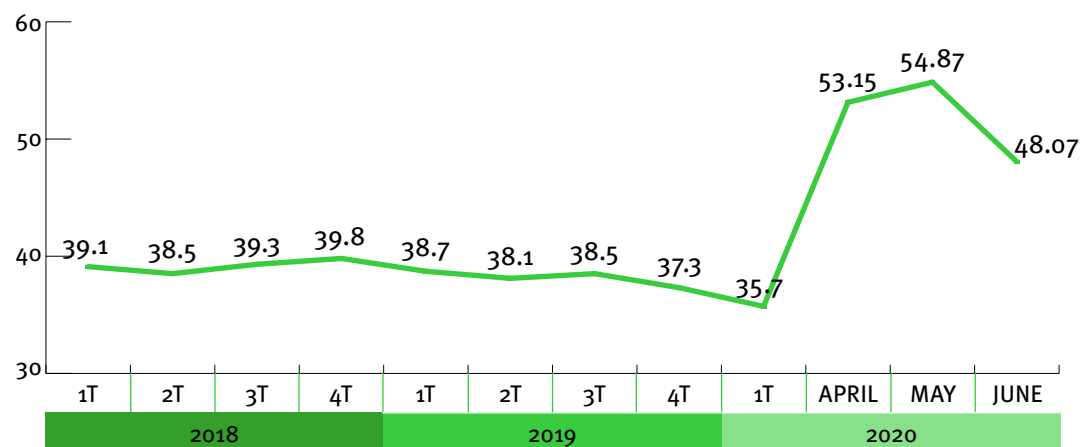
At just months of the contingency, the percentage of the population that was found in labor poverty grew drastically, going from 34.9% in February to 54.9% in

<sup>20</sup> Glossary of terms. CONEVAL. A person is found in a multi-dimensional poverty situation when it doesn't have guaranteed the exercise of at least one of its right for social development, and their income is not enough to acquire goods and services required to satisfy its needs.

<sup>21</sup> Glossary of terms. CONEVAL. A person is found in extreme poverty when bequeaths an income so low, that even if it was completely dedicated to the acquisition of food, it wouldn't be able to acquire the needed nutrients to have a healthy life; plus it presents at least three of the six social shortages

<sup>22</sup> Population in poverty situation by federative entity according to degree, 2008 a 2018.

GRAPH 16. EVOLUTION OF LABOR POVERTY



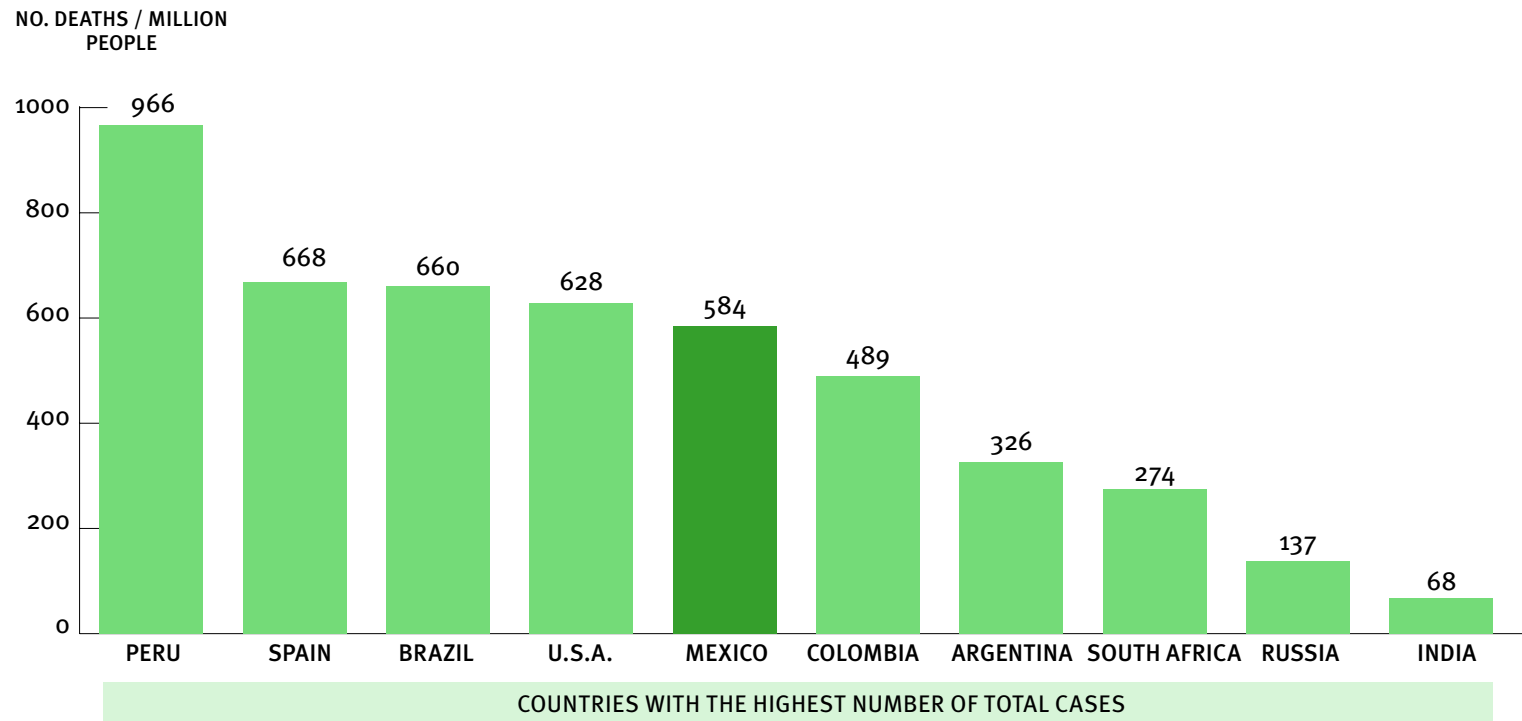
Source: In-house elaboration with information from CONEVAL.

May<sup>23</sup> (Graph 16), impacting the social reconfiguration of incomes and causing a deepening in poverty.

On the other hand, according to CONEVAL, population projections with income under the line of extreme poverty in light of the effects of COVID-19 will increase from 21 million people in 2018 to 27.1 million people

<sup>23</sup> Vital Signals calculation with the surveys ENOE (National Survey on Occupation and Employment for its acronym in Spanish), ETOE (Telephone Survey on occupation and Employment for its acronym in Spanish) and labor poverty forecast from CONEVAL.

GRAPH 17. TOTAL CASE OF FATALITIES ASSOCIATED WITH COVID-19



Source: In-house elaboration with information from Worldometer.

in 2020. Simultaneously, the fall of income and the urban poverty incidence will increase from 61.1 million people in 2018 to 70.9 million people this year.<sup>24</sup>

In lieu of that, it is estimated that the pandemic will cause, for the first time in 30 years, a setback in the

<sup>24</sup> The simulation starts with a conservative estimate of 5 percent in the fall of the per capita income. Available at: <https://tinyurl.com/Svr2social1>

matter of human development, nationally and worldwide.<sup>25</sup> That is to say, high levels of inequality involve a process of social impairment since the greater the economic difference is conducive to worst sanitary conditions.<sup>26</sup>

<sup>25</sup> Human Development and COVID-19 in Mexico: Challenges of a sustainable recovery. Available at: <https://tinyurl.com/SVR2PNUD>

<sup>26</sup> Wilkinson y Pickett, 2009

In this sense and under a context of well-being and social rights, a person who is found deprived of at least one social shortage, like access to health services, threatens the effective execution of social rights directly. In this sense, Mexico is part of the economies where the highest number of fatalities associated with the COVID-19 pandemic has been present for every million inhabitants, just below economies like Peru, Spain, Brazil, and the United States of America.<sup>27</sup> In order to avoid inequity on health services access, it is essential to speak of government efficiency, avoid the erosion of the most underprivileged sectors, and supply quality health services.

The effects of the COVID-19 pandemic in the social matter are clear. In our country, it will amplify the levels of poverty, inequality, and low social mobility, wounding more the social fabric, especially in the more vulnerable groups of the country.

<sup>27</sup> Updated information to September 22nd, 2020 .Available at: <https://tinyurl.com/ub9gvyc>

## VIOLENCE AGAINST WOMEN AND MENTAL HEALTH DURING THE PANDEMIC

Violence against women is still on concerning levels. In the first seven months of 2020, 1 million 42 thousand 88 crimes against women were registered. Out of which, 47.5% are against patrimony, 13.6% against the family, 7.9% have been malicious injuries, 2.9% are those threatening the sexual security and freedom, 1.6 are malicious homicides, 1.1% attempts

**TABLE 10. FLUCTUATION OF THE REGISTERED CRIMES FOR GENDER-BASED VIOLENCE IN ALL DIFFERENT MODALITIES OF FAMILY VIOLENCE (2019-2020)**

Month/Year	2019	2020	Fluctuation
March	203	331	63%
April	237	345	45.50%
May	263	301	14.40%
June	304	341	12.10%
July	236	367	55.50%
Total	1,243	1,685	35.50%

*Source:* In-house elaboration with information from SESNSP (Executive Secretariat of the National Public Security System for its acronym in Spanish).

against personal freedom. 0.05% are femicides, 0.03% is human trafficking, and 3.94% are crimes against society, life, and physical integrity.<sup>28</sup> Just during the period from March to July 2020, crimes registered as gender-based violence in all the different family violence modalities showed a rise of 35.5% compared to the same period of 2019, surpassing from 1,243 to 1,685. Besides, the month of July 2020 recorded a historic maximum in this crime by registering 367 cases.

On their part, femicides in 2020 grew compared to the previous year. Between January and July of this year, 549 of these crimes took place, 5.8% more than 2019. During the pandemic, these crimes were almost unchanged. From March to July 2020, the SESNP registered 348 femicides, one more than in the same period of the previous year. In involvement with malicious homicides, in the first seven months of the current year, a 2.4% increase was shown, compared to the previous year. During the contingency period, this crime kept almost stationary compared to last year.

Concerning the 911 calls pertaining to events of violence against women, between January to July 2020,

<sup>28</sup> 21.2% of the crimes were of the civil courts or against other legal assets, different to the ones talked about.

a total of 9 million 602 thousand 243 were registered. It is worth noting that according to the categorization of the SESNSP, 4.30% of this was related to family violence, 1.61% related to violence against women, and 1.45% related to partner violence.<sup>29</sup> The most striking emergency calls are the ones SESNSP classifies as violence against women,<sup>30</sup> which during the pandemic increased 44.3% compared to the previous year. The months of March, July, and June 2020 have

<sup>29</sup> The complete classification is found on the Information on Violence Against Women, Criminal Incidence and Emergency Calls to 9-1-1 reported by SESNSP. Available at: <https://tinyurl.com/y3up3pq0>

<sup>30</sup> Calls for violence against women is a category in the emergency calls related to events against women.

**TABLE 11. EMERGENCY CALLS RELATED TO EVENTS OF VIOLENCE AGAINST WOMEN**

Month/Year	2019	2020	Fluctuation
March	16,289	26,171	60.60%
April	15,084	21,722	44.00%
May	15,904	19,975	25.60%
June	16,114	22,446	39.30%
July	15,370	23,386	52.10%
Total	78,761	113,700	44.30%

Source: In-house elaboration with information from SESNSP

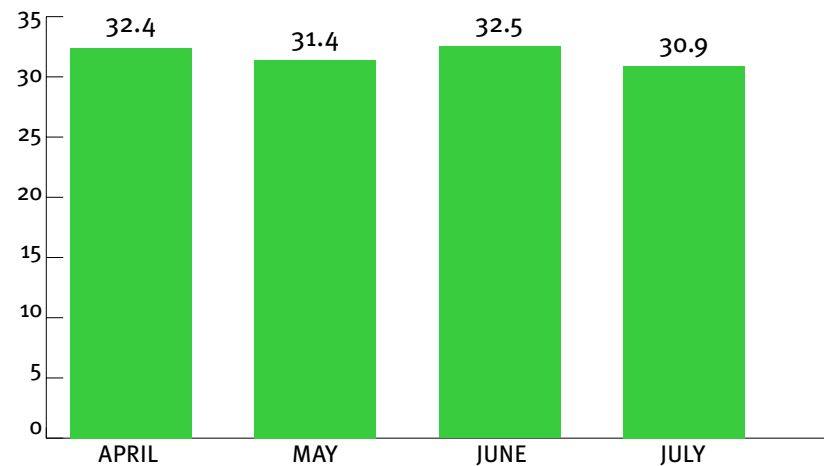
been the historic maximums with 26 thousand 171, 23 thousand 286, and 22 thousand 445 registries, respectively.

With this information, it can be said that violence against women has not quivered.

Likewise, the problems related to mental health represent a fundamental challenge for the Mexican state. Since the start of the pandemic, the Research Institute for the Equity Development reported through ENCOVID-19 the high levels of anxiety and depression that the population suffers. Between April and July, more than 30% of the population presented severe symptoms of anxiety. These illnesses are greater within the lowest socioeconomic levels.

**From March to July 2020, crimes registered as gender-based violence in all the different family violence modalities showed a rise of 35.5%**

**GRAPH 18. PERCENTAGE OF POPULATION WITH LEVELS OF ANXIETY AND DEPRESSION DURING THE PANDEMIC**



Source: In-house elaboration with information from ENCOVID -19



## Final considerations

The Covid-19 pandemic is still out of control and wreaking havoc in Mexico. The number of fatalities and contagion is still highly elevated prospects of specialists are not promising. It has been confirmed that the number of fatalities, direct or otherwise, caused by the pandemic is three times higher than the officially registered number of deaths for COVID-19. Since several weeks ago, in August, the figure that the Undersecretary of Health considered catastrophic was surpassed, and it keeps getting worse day by day. So far, there is no correction to the sanitary policies, nor anything concerning economic measures that help keep income levels in the families and workstations.

Contagion has not yielded either, and most of the economic activities have gradually returned to operations. The fall in the production of goods and services seems to have reached the bottom in May, and at the beginning of June, the start of a slow activity recovery is still under the pandemic levels.

As the impact of the economic contraction in these activities is quite diverse, but the following are highlighted among the most afflicted: tourism, restau-

rants, petroleum, automotive sector, construction. Employment and occupation have started to recover from their worst moment in May, but this will be meager. The families' incomes are still quite contracted since the beginning of the pandemic, which will cause significant increments in extreme poverty due to income that will take years to recover.





# AMPUTATION OF GOVERNMENT CAPABILITIES: *public servants at risk*



# AMPUTATION OF GOVERNMENT CAPABILITIES: public servants at risk



## SYNTHESIS

The Mexican state has managed to build professional and technical bureaucracies capable of facing the challenges characteristic of diverse tasks from diverse bodies that the Mexican state must fulfill. This professionalization is under threat due to several decisions taken by the federal government. The creation of the Federal Law of Republican Austerity and the modification of several laws such as the Budget-

ary Federal Law and Taxing Responsibilities, remove incentives from public servants in strategic areas to stay on their positions and develop their duties as best as possible. For this, there has been a loss in knowledge and experience in the government sector, which has directly affected the performance of this federal administration.

## BUREAUCRATIC TRAINING: SEVERAL YEARS-LONG WORKS.

In the last decades, the Mexican state has made an effort to develop the technical and instrumental capabilities of the bureaucracy of the public administration. Albeit the country still doesn't count on professional services in every area of the public endeavor, since the nineties they began to build specialized bureaucracies in strategic sectors for the Mexican state. Even if the first professional career service was the Mexican Foreign Service in the XIX century, it was in the late XX century and early XXI century when the career civil services were first formed as we know them currently and the Law of Professional Career Services was enacted in the Federal Public Administration.

Further on, with the construction of autonomous constitutional bodies that were birthed with the direct objective to counterweight the power of the executive, and form stable professional bureaucracies with time, the Mexican state forced itself to invest in human capital. The objective was, besides providing capabilities, amass experience, and memory to enable the fulfillment of the planned goals. This new phase of public management implied the creation of a series

of rights and an important rise in public expenditure destined to personal services that were necessary to improve the quality of state services.

Despite the advances that have been accomplished in the field of professionalization, the current administration has undertaken a set of actions that end up weakening the training of government assets, especially in areas that require highly qualified personnel. Among the main actions are:

- » temporary restraints to public servants to work on the private enterprise,
- » salary cuts,
- » the demise of seats and the disproportionate savings without planning.

It is clear that the excesses of previous governments created a justified high level of popular discomfort due to the number of public resources used to cover luxuries for some public servants. But the legal modifications made by the current government not only contemplate the reduction of drivers, guards, and other privileges but counter-intuitively attack the operation of the federal administration.



*Image:* Due to austerity, civil servants' vehicles and drivers are reduced. In <https://www.eluniversal.com.mx/nacion/politica/por-austeridad-ahora-van-por-reduccion-de-vehiculos-y-choferes-de-funcionarios>

## A VENDETTA AGAINST GOVERNMENT SERVANTS

The Federal Law of Republican Austerity (LFAR, for its acronym in Spanish), published on November 19th, 2019 prevents public servants comprised on the hierarchical superior management, to separate from their charge for any reason, occupy positions in companies that were supervised, regulated or from which they have had privy information during the execution of their public charge unless it has been at least ten years.<sup>1</sup> Not to deny that the occurrence of the revolving door can impinge democracy itself,

**the established period for the public servants to be hired by the private sector is excessive and can violate rights.**

In the United State of America, the restriction is for two years and the European average is three years.

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<sup>1</sup> Article 24th paragraph two of the Federal Law of Republican Austerity. Available at: <https://tinyurl.com/yc353mqp>



Naturally, many public servants in different institutions decided to resign before the LAFR was approved so they wouldn't lose the possibility to continue their professional career in the private sector since in case they were to be fired they wouldn't have many options in their area of expertise. The two clearest examples were the Bank of Mexico (BM, for its acronym in Spanish) and the National Banking and Securities Commission (CNVB for its acronym in Spanish). In 2019, the BM experienced, at least, 200 resignations or anticipated retirements. In the same year, the CNVB was forced to cover 359 job vacancies, 222 by promoting seniority personnel and 137 with new hires, due to the mass resignation of personnel amongst which 50 higher officials were found. This administrative modification represented a 25% turnover on the institution personnel. The ex-public servants that resigned, in which the state invested many resources through time, took with them years of experience and talent, which were essential to the optimal performance of the institution.

**The former officials who resigned, in whom the State invested many resources over time, took with them years of experience and talent, essential for the proper functioning of the body.**



*Image:* Carlos Urzúa, Josefa González Blanco and Germán Martínez are the three first-level resignations that the government has had. *PHOTOS:* Dark room in <https://politica.expansion.mx/presidencia/2019/07/09/renuncias-de-nueve-funcionarios-en-los-primeros-siete-meses-de-amlo>.



López Obrador's government also undertook a reduction in salary to all public servants. Between 2018 and 2019 the federal government suffered budget cuts between 3% in assistant manager and Liaison personnel and 30% in higher-level positions. Something similar happened in the Judicial Power and Autonomous Constitutional bodies. These salary reductions affected around 8 thousand public servants and were justified thanks to the first amendment on the legislature LXVII, with the majority in the side of Morena, which modified the federal law of public servants responsibilities (LFRSP for its acronym in Spanish). In which was regulated that no one can earn more than the Mexican president, who decided to earn \$108 thousand pesos per month. The law birthed, at least, 5 thousand 168 protective actions interposed by judges, magistrates, electoral councils, workers from the Bank of Mexico, members of the Secretariat of the Interior, among others.

After a series of unconstitutional actions, the SCJN (Supreme Court of Justice of the Nation, for its acronym in Spanish) declared unconstitutional articles 6th and 7th of the LFRSP since they leave broad discretionary schisms and they don't define clearly the parameters and criteria to establish the salary of the president and other public servants. The court also

invalidated articles 217th and 217th bis from the federal penal code which penalized public servants that received higher compensations than the president of the republic. It must be said that a new federal law of compensations, with the intention to correct some inconsistencies, which wasn't successful and motivated another action of unconstitutionality, that is a pending resolution by the SCJN.

**TABLE 1. SALARY CUTS IN THE ECONOMIC PACKAGE**

<b>FUNCTION</b>	<b>SALARY 2017</b>	<b>SALARY 2020</b>	<b>PERCENTAGE REDUCTION</b>
Chief Executive	208.570	108.656	47,90%
Secretaries of State	205.122	108.376	47,17%
Undersecretaries and chief Clerk	203.875	107.575	47,23%
Unit Chief	191.843	105.155	45,19%
General Manager	154.789	93.839	39,38%
Associated General Manager	118.688	80.096	32,52%
Manager	78.930	58.191	26,28%
Assistant Manager	49.327	40.516	17,86%
Head of department	29.031	25.334	12,73%
Liaison personnel	17.855	16.388	8,22%

*Source:* In-house elaboration based on data from the Official Gazette of the Federation 2017 and 2020.<sup>2</sup>

<sup>2</sup> <https://tinyurl.com/y4cbyc9v>

The demise of seats has been another decision that diminishes the capabilities of the Mexican state. Even though in 2019 the chamber of deputies approved the existence of one thousand 986 seats labeled Associated General Manager, most of them created on Vicente Fox's sexennium, in August of the same year around 629 seats of that type were in the cancellation process. Albeit the Federal Expense Budget (PEF for its acronym in Spanish) of 2020 contemplated 646 of this seats, on May 29th of this year the Handbook of compensations of public servants of the entities and federal agencies of the federal public administration<sup>3</sup> was published, in which is instructed to subside all the Associated General Manager seats from the federal government organization chart. It's also instructed that the government agencies are responsible to conduct the transition of the seats of the hierarchical group "L", meaning the Associated General Managers, to a lower hierarchical level before December 31st, 2020.

Meaning, even if those who are still cataloged as assistant general managers in 2020 won't necessarily lose their job, their income will be reduced starting 20201. The intended purpose of the demise of the one thousand 986 seats at the Associated General Man-

<sup>3</sup> <https://tinyurl.com/y3ujh2oh>.

ager level was to save around one thousand 943.9 million of pesos between June and December 2019. The cuts were focused on five areas: the Ministry of Finance and Public Credit (SHCP for its acronym in Spanish), Secretariat of the Interior (SEGOB for its acronym in Spanish), Attorney General's Office (FGR for its acronym in Spanish), Secretariat of Environment and Natural Resources (SEMARNAT for its acronym in Spanish), and the Secretariat of Education (SEP for its acronym in Spanish).

TABLE 2. DEMISE OF SEATS IN ASSOCIATE GENERAL DIRECTION PER FIELD	
DEPENDENCY	SEATS ELIMINATED BY 2019
SHCP	397
SEGOB	240
FGR	187
SEMARNAT	106
SEP	100
Economy	99
SCT	95
SAGARPA	94
INM	39
16,388	8,22%

Source: In-house elaboration with information from the National Transparency Platform. [National Transparency Platform].<sup>1</sup>

<sup>1</sup> <https://tinyurl.com/y4h7fa7d>.

Finally, to these reductions were added extraordinary austerity measures, cited by the president as by which was possible to face the COVID-19 pandemic. On April 23rd, 2020 was published in the DOF (Official Journal of the Federation, for its acronym in Spanish) an edict in which austerity measures are established that government agencies and entities in the Federal Public Administration must follow.<sup>4</sup> Included, at least, three regulations that significantly reduce the efficiency incentives of government officials.

FIRST THE SUPPOSED VOLUNTARY REDUCTION OF 25% IN THE SALARY OF HIGH-LEVEL GOVERNMENT OFFICIALS,

SECOND THE REMOVAL OF THEIR RESPECTIVE CHRISTMAS BONUSES OF 2020, AND THE THIRD,

THE UN-USE OF 75% OF THE AVAILABLE BUDGET FOR GENERAL USE BATCHES AND SUPPLIES.

Even if the decree mentioned that higher-level public servants are comprised from general manager to president, the Handbook of compensations of public servants of the entities and federal agencies of the federal public administration<sup>5</sup> establishes in article 3, incise

<sup>4</sup> <https://tinyurl.com/y7zr22kh>.

<sup>5</sup> <https://tinyurl.com/y4zofju2>.

“C”, that higher-level public officials are to be considered only by general managers, unit chiefs, undersecretaries, chief clerks, secretaries of state and the president of the Republic. Moreover, managers, assistant managers, and heads of departments are considered mid-level officials. Despite that, 96% of the budgetary savings will be accomplished thanks to the reductions on mid-level officials.<sup>6</sup>

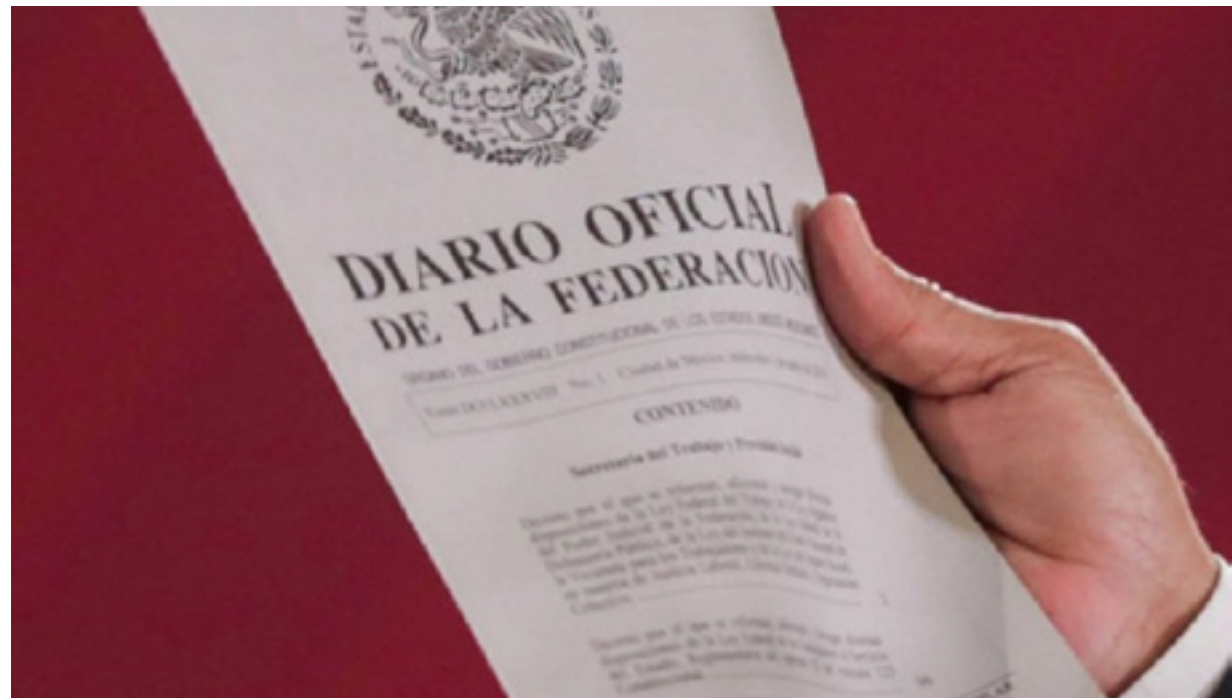


Image: Official decree. In <https://tinyurl.com/y582w3f7>

<sup>6</sup> <https://tinyurl.com/y5k7du32>.

In tandem, this decree forces the un-use of 75% of the available Budget for general services, batches, and supplies, consequently, as we have seen, the public servants won't have the minimum work tools to adequately perform their functions.<sup>7</sup>

**It bears to mention that from the 177 thousand 521 million pesos on average that have been spent on these batches between 2015 and 2019, will be able to be spent at the discretion of the Mexican President.**

The modification to article 61st of the Reform to the Federal Law on Budget and Treasury Responsibility (LFPRH, for its acronym in Spanish) empowers the President so that the resulting savings obtained by the rationing of the expenditure established in the Federal Republican Austerity Law (LFAR for its acronym in Spanish) can be directed anywhere in the federal administration by presidential decree.<sup>8</sup>

<sup>7</sup> <https://tinyurl.com/y5uf5w4l>.

<sup>8</sup> Budgetary Hyper-Presidentialism. Vital Signals. Available at: <https://tinyurl.com/y5tfdzdz>.

Even if the impact cannot be measured, the diverse and concatenated actions taken from the National Palace, and with the endorsement of most of the Congress, they have consistently reduced the incentives to start a long-lasting professional career in the public administration. That is translated in the loss of experience and memory, bureaucratic weakness, decrease in technical and operational capabilities, as well as a huge discomfort from which, without any justification, and have been accused of dishonesty for the simple fact of performing the tasks compelled by the law.





# INSTITUTIONAL DESTRUCTION: *A self-inflicted injury to the State*



NO BUDGET NO BUDGET

DISAPPEARED DISAPPEARED

COLONIZED COLONIZED COLONIZED

COMISION NACIONAL

# INSTITUTIONAL DESTRUCTION

## A self-inflicted injury to the State



### SYNTHESIS

The slow but progressive construction and consolidation of the democratic institutions and the professionalization of the public administration in Mexico, are being threatened by a series of attacks that the federal government has provided in almost two years of ruling. Through budgeting reduction, the colonization of managerial bodies of autonomous branches,

and the disappearance and subordination of institutions, the federal executive has undertaken a decisive campaign to dismantle some of the democratic counterweights that could restrict the presidential power and delay the consummation of the fourth transformation project.

## THE COST OF BUILDING INSTITUTIONS

The establishment of the still weak Mexican democracy was achieved thanks to a long transition process that anchored itself on the construction of democratic institutions capable to dissolve political conflicts peacefully, legally, and equitable, by the time the governmental bureaucracies were professionalized. These institutions were the product of citizen struggles that led to wide debates between different political performers that agreed to decentralize the presidential power. Albeit, some of the key institutions of Mexican democracy already existed, these were subordinated, formally or informally, to the wishes of the federal executive, while others were formed with the objective to fulfill certain specialized and relevant tasks for the Mexican state.

Among the fundamental institutions of Mexican democracy the legislative power, the judiciary power, and the constitutional autonomous bodies are found,<sup>1</sup> which were progressively created since the nineties to decouple the federal executive from mul-

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<sup>1</sup> The autonomous constitutional bodies are those that are created by the constitution, the constitution establishes their basic competency (basic competence nucleus) and are not located organically or structurally in some power. They are different from the constitutionally relevant bodies.

multiple responsibilities that belong to the state and not the government in turn. Even though, since the beginnings of the XXI century the federal legislative power was defined for its plurality and its capability to provide a counterweight to the presidential power, the results of the concurrent election of 2018 gave birth to a new phase of unified government in Mexico,<sup>2</sup> consequently, the Mexican Congress, democratically composed, has few incentives to contradict the requirements of the executive.

Even if it is normal that in an electoral democracy like the one in Mexico the votes decide the composition of the majorities and the minorities, it is also true that the majorities do not have the authority to weaken the constitutional order of a state, and much less, to go above it. The fact is, it seems to be a systematic attack on different institutions that seem to be uncomfortable for the new project spearheaded by the new federal administration. Although it's not new that president López Obrador undertakes ma-

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<sup>2</sup> The unified government is understood as the one in which the executive power and the legislative power is controlled by the same partisan force.



neuers that allow him to concentrate more power,<sup>3</sup> or that he shows disapproval with the existence of the autonomous constitutional bodies,<sup>4</sup> in his condition of the head executive, López Obrador has turned his disagreements into public decisions. These have weakened a set of institutions of the Mexican state that are essential to activate the cogs that harmonize the democratic function of the political system of the country.

## A ROUTE TO TOTAL CONTROL OF THE GOVERNMENT

Beyond the likes and dislikes that the 4T (fourth transformation for its acronym in Spanish) may generate, the institutional design exists to maintain certain democratic normalcy, so disrespect it constitutes a threat to the very political system as we know it.

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<sup>3</sup> Review “Hiperpresidencialismo presupuestal” [ Budgetary Hyper-presidentialism] en el Reporte de La Pandemia en México: Dimensión de la Tragedia. [in the Pandemi Reportin Mexico: The Tragedy Dimension]

<sup>4</sup> Conferencia de prensa matutina del 8 de noviembre de 2019. [November 8th 2019 Press morning conference] <https://tinyurl.com/yxeg82zm>.

**In the time of the current administration, at least three tactics to weaken certain counterweights to the executive power have been identified: the first is to decrease the budget of the institutions that bother him the most, the second one is to colonize the managerial bodies of the autonomous branches, and the third and most radical, is to structurally disappear or subordinate the institutions to the federal executive.**

## **1** BUDGETARY REDUCTION

As we know, the budget of a country reflects the priorities of its government, in that way the branches in which more resources are deposited tend to be the ones to execute the most relevant tasks of an administration, to the contrary the ones that receive the least resources will play secondary roles. In this sense, it's interesting to observe that during the current administration some autonomous branches have suffered important budgetary reductions in relationship to the budgetary requests sent to the Secretariat of Finance and Public Credit and that at a

later time were modified by the Chamber of Deputies. Due to this, several institutions have had to adjust their budgets and it is expected that the first thing the cause of this reduction is the inoperability of some of the functions of the institutions, and then attempts to their existence by leaving them with disabilities to make different actions of their reasons to be.

If you compare the budgetary project presented by each autonomous branch to the SHCP, with the final approved Budget by the lower chamber,

**it is observed that at least six autonomous branches, besides INEGI<sup>5</sup> and CONEVAL,<sup>6</sup> they had cutbacks equivalent to 5.6% of what they requested in the PPEF,<sup>7</sup> that is to say around 2 thousand 855 million pesos.**

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<sup>5</sup> The National Institute of Statistics and Geography for its acronym in Spanish.

<sup>6</sup> The National Council of Evaluation of Social Development Policy for its acronym in Spanish.

<sup>7</sup> Project of Budgetary Expenditure of the Federation for its acronym in Spanish.

It bears to mention that, in 2019, there was a reduction equivalent to 11.3% regarding the PPEF that year. Between the most disadvantaged bodies in 2020 are the Federal Telecommunications Institute (IFT for its acronym in Spanish), the Attorney General's Office (FGR for its acronym in Spanish), the National Electoral Institute (INE for its acronym in Spanish), and the Federal Institute for Access to Public Information and Data Protection (INAI for its acronym in Spanish), with reductions of 10.9%, 8.2%, 6.0%, and 5.4% respectively.

It should be noted that since each institution has different legal constitutional mandates, is possible that a specific branch will need extraordinary resources in a few years. That is the case with the INEGI and the INE that modify their workload according to their information collection and the electoral journeys of each year. As you know, the amount requested by the INE for 2020 was equivalent to 12 thousand 492 million pesos, without counting the amount destined to the public financing of the political parties. This budget was justified by the electoral process of 2020-2021 where almost 3 thousand 200 charges will be elected, in which 15 governors are highlighted, the totality of the chairs in the Chamber of deputies, and 30 local congressmen, as well as city halls in 30 states of the

**TABLE 1. COMPARISON BETWEEN PPEF AND PEF OF CONSTITUTIONAL AUTONOMOUS BODIES IN 2020**  
(MILLION PESOS)

INSTITUTION	BUDGETARY PROJECT 2019	BUDGET 2019	ADJUSTMENT %	NET ADJUSTMENT	BUDGETARY PROJECT 2020	BUDGET 2020	ADJUSTMENT %	NET ADJUSTMENT	CONSEQUENCES
INEGI	12,629.70	12,129.70	-3.96	-500.0	16,572.90	16,572.90	0.00	0	13 surveys won't take place on the agricultural census.
INE	16,313.0	15,363.0	-5.82	-950.0	17,732.4	16,660.8	-6.04	-1,071.6	The institute will perform the biggest election in history with no margin of error
CRE	248.2	248.2	0.00	0	252.9	252.9	0.00	0	No relevant modifications are perceived
INAI	937.1	900.1	-3.95	-37.0	927.4	877.4	-5.39	-50.0	
CNDH	1,971.3	1,809.4	-8.21	-161.9	1,911.2	1,874.2	-1.94	-37.0	The autonomy of the CNDH is not guaranteed.
COFECE	582.8	582.8	0.00	0	589.5	581.2	-1.40	-8.3	N/A
IFT	1,780.00	1,500.0	-15.73	-280.0	1,730.0	1,541.20	-10.91	-188.8	Difficulty in compliance of its responsibilities
FGR	15,328.2	15,351.0	0.15	22.8	18,202.2	16,702.2	-8.24	-1,500.0	
ASF	2,304.4	2,304.4	0.00	0	2,378.40	2,809.60	18.13	431.2	N/A
INEE	997.3	697.3	-30.08	-300	N/A	N/A	N/A	N/A	Disappeared

Source: In-house elaboration with information from the PEF 2019-2020.

republic. At least all of the federal elections will be organized by the INE and it may be that some of the local ones are enticed to this authority. The scale of this election implies a series of tasks that represent expenses that are not at all negligible. In 2020, 32 local councils will have to be installed, 300 district councils, design electoral supplies, and credentialing approximately 15 million people.

## 2 COLONIZATION

The second weakening tactic is the relative colonization of the different powers and Constitutional Autonomous Bodies (OCA for its acronym in Spanish). Except for the legislative power which is directly elected by the people, the election of the political leadership in the judiciary power and the members of the executive bodies of the OCA implies at least two powers: the executive and the legislative. During this sexennium, the members of the government/executive bodies that have been renewed:

1. The Energy Regulatory Commission (CRE\*)
2. The National Human Rights Commission (CNDH\*)

\* Note: for its acronym in Spanish.

3. The Federal Institute for Access to Public Information and Data Protection (INAI\*)
4. The Bank of Mexico
5. The National Institute of Statistics and Geography (INEGI\*)
6. The National Institute of Educational Evaluation (INEE\*)
7. The Federal Economic Competition Commission (COFECE\*)
8. The Attorney General's Office (FGR\*)
9. The Federal Telecommunications Institute (IFT\*)
10. The National Electoral Institute (INE\*)

**Besides, three chairs of the Supreme Court of Justice of the Nation (SCJN\*) were renovated. From all of the nominations, 10 were people related to the party in power and, in some cases, directly to the President.**



Image: Minister Yazmín Esquivel Mosso at [www.soldemexico.com.mx](http://www.soldemexico.com.mx)

Even if it is a common pattern in almost all of the sexenniums, the questionable legality of the processes in which some public servants were elected ignites an alarm that must be considered.

In at least 7 of the 27 nominations made in said institutions disagreements existed by the opposition pertaining to the legal and constitutional process.

**Two of the most striking cases are the nomination of the head of The National Human Rights Commission and the 4 out of 6 commissioners of The Energy Regulatory Commission that have been renewed during the current management.**

The appointment of the current head of the CNDH was given amidst a series of irregularities and conflicts amongst which the suitability of Rosario Piedra Ibarra to run the CNDH was highlighted, the presentation of the same triad in several occasions, and the doubtful majority obtained in the election given in the plenum of the Senate of the Republic. Albeit Rosario Piedra has been one of the multiple victims of the state



weakness to guarantee the security of the Mexican people and has been a human rights activists in the country, the 9th article of the CNDH law establishes that the candidates to direct the said body must not be or have been members of a directive body of a political party during one year before the date of its appointment. Despite that, Rosario Piedra still appeared in the INE databases as part of the national council of MORENA (National Regeneration Movement for its acronym in Spanish) in the date in which the Senate elected her as the head of that body.

*Image: Demonstration against the process carried out in the appointment of the President of the CNDH at [www.notigape.com/202607/senadores-buscaran-impugnar-a-rosario-piedra-ibarra](http://www.notigape.com/202607/senadores-buscaran-impugnar-a-rosario-piedra-ibarra).*



Violations on the election procedure happened, the 10th ter article second paragraph of the CNDH law, which establishes that in case the ballot required is not reached to appoint the president of the body, the corresponding commission or commissions must present a new triad, as many times as it is necessary to reach the required ballot. Infringing said disposition, the Senate Political Coordination Board repeated the triad on two occasions so that in the third elections the majority needed was reached. Likewise, doubts arose about the legality of the election in the Plenum of the Senate.

In the 102nd article subsection B, the Constitution indicates that just like the Counselors of the CNDH that should be elected by the vote of two-thirds of the present members of the Chamber of Senators, the current head of the CNDH only gathered 76 votes equivalent to 65.5% of the assistance of the plenum that was of 116 senators. It was argued that two of the votes were in reality a blank sheet of paper and an envelope consequently those were not recorded. This is how Piedra Ibarra was appointed as head of the CNDH for the 2019-2024 period, a decision that has been challenged three times through constitutional protections due to the constitutional vices presented during the election, which currently are in process



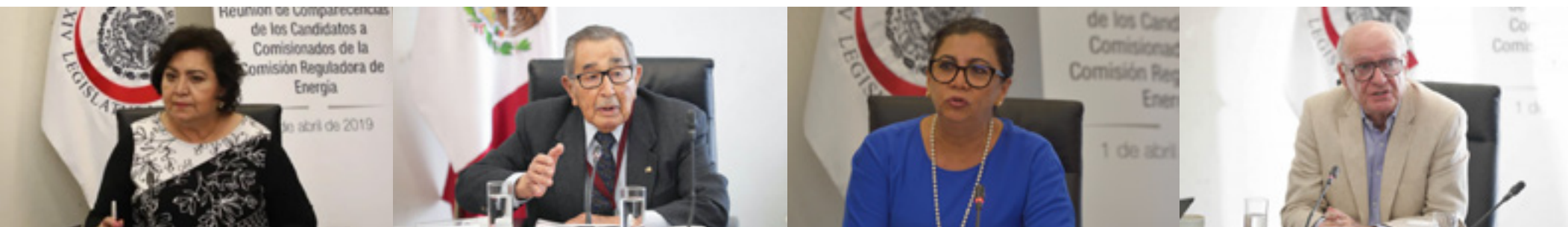
*Image: Rosario Piedra Ibarra, President of the CNDH at [www.24horas.mx](http://www.24horas.mx).*

of the ruling. Likewise, in light of the appointment of Rosario Piedra Ibarra as president of the CNDH, five members of the advisory council of the body presented their irrevocable resignation to the honorary position, since they consider the process was plagued with irregularities and lack adherence to the law. The Senate has not appointed 6 of the 10 counselors that the CNDH must-have.

**TABLE 2. CONTESTED APPOINTMENTS BY THE OPPOSITION**

INSTITUTION	THE NUMBER OF RENEWED MEMBERS	INCONSISTENCIES	THE PROTESTERS IN THE OPPOSITION
CRE	4	"In spite that the first triad sent by the president to the Senate was rejected, the second triad repeated 11 of the 12 initial candidates. The president ended up imposing the commissioners. The candidates did not answer correctly to the numerous questions made during their presentations in the Energy Commission of the Senate."	Members of the opposition accused the president of imposing the commissioners and not looking for consensus.
CNDH	1	"Despite that the triad sent to the United Commissions of Human Rights and Justice was rejected in the plenum of the Senate, it was repeated two times. Several inconsistencies happened in the final election. Rosario Piedra Ibarra did not meet the legal requirements to pursue the CNDH presidency."	The opposition in the Senate filed a claim of unconstitutional action
SCJN	1	The minister Yazmín Esquivel arrived at the SCJN despite the conflict of interest that she had by being the wife of a personal friend of the president that has benefitted by multiple government contracts during López Obrador's administrations.	The opposition indicated interests' conflict.

*Source:* In-house elaboration with information from the Senate of the Republic and the SCJN.



Commissioners imposed by the President: Guadalupe Escalante, José A. Celestinos, Norma L. Campos and Luis Linares at [www.abcnoticias.com.mx](http://www.abcnoticias.com.mx)

### In relationship with the CRE, article 6th of the Law of Coordinated Regulatory Bodies in Matters of Energy<sup>8</sup>

8 Article 6. The commissioners will be appointed by tiered periods of seven years of annual succession, with the possibility of being designated again in one occasion by equal period. The position that is generated in charge of commissioner will be covered by the person designated by the senate from the proposed triad by the head of the Federal Executive, in terms of the hereby article. If the position is generated before the ending of the respective period, the person designated to cover it will last in rule only the missing time to perform by the substituted, it could be designated exclusively at the end of this period. To appoint each commissioner, the President of the Republic will submit a triad to be considered by the Chamber of Senators, which, prior arraignment of the proposed people, will designate the Commissioner by the vote of two thirds of its present members, during the non-renewable period of thirty days. If the Senate could not resolve during that period, the Commissioner position will be taken by the person from said triad that the President of the Republic appoints. In case the Chamber of Senators completely rejects the proposed triad, the President of the Republic will submit a new one, following the terms of the previous paragraph. If the second triad were to be rejected, the position of Commissioner will be taken by the person within the triad that the President of the Republic appoints.

details that the Senate will elect the commissioners of the ruling body of the CRE among the triads that the Mexican President provides to cover each position. In case no members of the triad gather the needed votes to be ratified, the President must send a new triad. This happened March 21st, 2019, when none of the candidates of the 4 triads sent by López Obrador acquire the qualified majority, but the second batch of triads by the executive repeated 11 of the 12 candidates sent the first time. Even if this maneuver does not constitute a legal fault, it's understood that the decision reflected presidential neglect to build consensus to reinforce this body. The rejection of the Senate to the second batch of triad left President López Obrador in the position to impose the commissioners, according to the law, but without the consensus of the Senate.



## One of the few cases about the selection of heads of autonomous constitutional bodies that can be listed as successful in democratic terms was the renewal of 4 counselors of the General Council of the INE.

Maybe, due to the mechanism of selection established by the Constitution, in which different institutions intervene. First the CNDH, the INAI, and the Board of Political Coordination of the Chamber of Deputies which are responsible to shape the Technical Evaluation Committee which, in turn, is responsible to elect the best profiles to integrate their quintets for each position that will be sent to the lower Chamber for approval. Their approval should be by two-thirds of the present members.<sup>9</sup>

It bears to mention that due to the legal procedures for the appointment of the heads of each autonomous constitutional body and the SCJN are different, the majority party and the President López Obrador had

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<sup>9</sup> Article 41st, fraction V, subsection A of the Political Constitution of the United Mexican States.

peculiar behaviors in each appointment. For example, given the case that the members of up until three of the triads of candidates that pursue a sit of the SCJN or the CRE do not gather the necessary majority, the federal executive could appoint them directly, it's to be expected that AMLO (Andrés Manuel López Obrador for its acronym in Spanish) did not abrade in this political operation. Contrary to what happened to the appointment of the head of the CNDH, in which several illegalities happened.

## 3 DEMISE

The third identified tactic is the definitive demise of some institutions. The President has repeated on different occasions that the OCA drain too much budget and does not return good results,<sup>10</sup> consequently, he will consider the demise of several of them. Previously he has managed to suppress on May 15th, 2019, the National Institute for the Evaluation of Education (INEE for its acronym in Spanish), as a consequence of the approval of the new educational reform. This institution had already suffered budgetary cuts in 2019 of 300 million pesos and had been forced to fire

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<sup>10</sup><https://tinyurl.com/yygfz6xo>.

at least 218 employees. Apart from the performance of the INEE that took care, among other things, the student and teachers evaluation, it was noted from the directive body of the institution that this modification was due to pressures from the National Coordination of Education Workers (CNTE for its acronym in Spanish) which was uncomfortable with the teacher's evaluations.

One more case that is worth mention is the Federal Commission for the Protection against Sanitary Risks (COFEPRIS for its acronym in Spanish). On Wednesday, August 19th, 2020 in the Official Journal of the Federation (DOF) the accord in which the adherence of different administrative units and decentralized bodies of the Secretariat of Health, was published, among which the COFEPRIS is found. This Institution that has the mission to protect the population of health risks caused by the use of supplies and services, as well as for exposure to work and environmental factors, the occurrence of sanitary emergencies, and the provision of health services through the regulation, control, and prevention of sanitary risks is now subordinated to the Subsecretariat of Prevention and Health Promotion, headed by Hugo López-Gatell M.D. The decision is counterintuitive since the regulating body will be subordinated to the regulated subject, consequently,

the technical and resolution capacity of the COFEPRIS is called into question and the next decisions that it makes will be a big indicator of their full independence and autonomy.

In summary, it will be essential that citizenship pays attention to the way the actions of the autonomous branches evolve and if their decisions are framed within the constitution and the law. Likewise, the behavior of the heads of each entity must be carefully evaluated with the goal to ensure that the resolutions which are incumbent are performed independently from the president and not under pressure or subordinations.





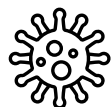
# A NEW VIRUS

*New powers for the armed forces  
that do not correspond to them*



# A NEW VIRUS

## New powers for the armed forces that do not correspond to them



### SYNTHESIS

The Mexican Armed Forces have been used to carry out public security tasks since the beginning of Felipe Calderón's administration. This decision was upheld by Enrique Peña Nieto and reinforced by the current president Andrés Manuel López Obrador. Even though both the army and the navy requested a legal framework that would give them certainty in their complementary performance in public security tasks since 2007, it was not until AMLO's (Andrés Manuel López Obrador by his acronym in Spanish) arrival that the necessary legal transformations were carried out

to comply with the requests of the FFAA (Armed Forces for its acronym in Spanish). But in addition to consolidating the militarization in the security field, the president of Mexico chose to intensify a process of militarization of the entire country, assigning SEDENA (Ministry of Defense for its acronym in Spanish) and SEMAR (Ministry of the Navy for its acronym in Spanish) at least 13 new tasks that, in principle, correspond to administrative branches of the federal government and represent significant amounts of money.

## THE NEW NORMAL FOR THE FFAA IN MEXICO

The army has complained about various occasions about the responsibilities assigned to it in the fight against organized crime. In response, SEDENA requested, since the Felipe Calderón administration, a legal framework that would allow it to carry out a series of tasks that into reality it was already performing at its discretion.<sup>1</sup> Enrique Peña Nieto gave the armed forces the Internal Security Law that regulated their actions in matters of what was then called, as the law itself says and to say of its proponents, “internal security”, but in the opinion of many specialists, they were exclusive tasks of public safety. Despite the approval of this law and its subsequent publication in the Official Journal of the Federation on December 21, 2017,<sup>2</sup> the Supreme Court of Justice of the Nation declared it unconstitutional in November of 2018.<sup>3</sup>

The arrival of AMLO to the government began a series of important constitutional, legal, and institu-

<sup>1</sup> News article during Calderón’s six-year term which certifies of the request <https://tinyurl.com/y6aspfk8>.

<sup>2</sup> Decree by which the Internal Security law is issued in the DOF (Official Journal of the Federation by its acronym in Spanish) <https://tinyurl.com/y5epp8w3>.

<sup>3</sup> Document that records the 117th public session that talks about the decree of unconstitutionality made by the SCJN (Supreme Court of Justice of the Nation) <https://tinyurl.com/y37j5gka>.

tional changes that affected the armed forces. Although López Obrador had promised that the army and navy should be gradually withdrawn from public security activities, in November 2018, already as elected president, included in his National Plan for Peace and Security<sup>4</sup> both the participation of the Fuerza Armada Permanente (Permanent Armed Forces) in complementary public security tasks, such as the creation of the national guard which, as it turned out later, is mainly made up of the military. The president did not take long to take back his words and use the armed forces to combat, or at least retain, the conquest that certain criminal groups have of the national territory. Meanwhile, the head of the Federal Executive decided to give a series of prerogatives to both the army and the navy. These prerogatives were granted through the transfer of responsibilities that give operational power to the FFAA and which in turn imply the disappearance of civil institutions such as the Federal Police. All of this together seems to make up a long-term expanded militarization project that, although it did not start in this government term and constitutes a cyclical process, has been recently pronounced.

<sup>4</sup> Annex to the AMLO’s National Peace and Security Plan <https://tinyurl.com/yxo5upbh>.

As acting president, López Obrador not only legalized and consolidated the participation of the armed forces in public security tasks<sup>5</sup> but also increased the obligations they must comply with for the Mexican State in terms of infrastructure, support in social policy, and combat organized crime. Among the tasks that enter the expansion of the catalog of responsibilities of SEMAR and SEDENA are, at least, the following: in terms of public infrastructure, the construction of the Felipe Ángeles Airport at the Santa Lucía military base, the construction of 2,700 branches of the Banco del Bienestar (Welfare Bank), the construction of barracks for the national guard, the remodeling of 32 abandoned hospitals, and the construction of 2 sections of the Mayan Train. In matters of national security, the fight against huachicol (theft and illicit sale of motor fuel, primarily gasoline and diesel), the implementation of the surveillance plan on the northern and southern borders, and the control of ports and customs. In terms of social policy, the distribution of fertilizers, monitoring the delivery of resources from social programs. In deeds, the president has entrusted the FFAA with duties that in some cases could incur illegal acts.

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<sup>5</sup> <https://tinyurl.com/y7ru943g>.

**The tasks that constitute illegalities, violate human rights and imply intrusions of competence are:**

**the construction of the Felipe Ángeles Airport in Santa Lucía and the implementation of the surveillance plan at the Mexican borders to detain migrants.**

A total of 82,136 million pesos will be allocated for the airport project.<sup>6</sup> SEDENA will be in charge of the megaproject, which may constitute a legal offense since in Mexico it is not allowed for a military institution to build a civilian airport and although the president has commented that the airport will also be a military one, it is known that the grand majority of flights will be commercial. Article 10 of the Airports Law esta-

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<sup>6</sup> Second trimestral report on the economic situation, public finance and public debt.





*Image:* Military in the construction of the Santa Lucía airport.  
Photo: Cuartoscuro at <https://tinyurl.com/y297oj83/>



*Image:* National Guard prevents migrants from crossing. Photo: Hérica Martínez/AFP/Getty Images. At <https://tinyurl.com/y5os9qko>

blishes that airport concessions will be granted only to commercial constituted companies according to Mexican law and will include administration, operation, exploitation, and, where appropriate, construction activities. Likewise, Article 10 Bis of the same law obliges the interested commercial company to obtain a concession title and Article 11 clarifies that airport concessions will be granted through public bidding.<sup>7</sup> As is known, none of this has happened.

<sup>7</sup> <https://tinyurl.com/y459wuze>.

Moreover, the implementation of the border surveillance plan is a result of pressure by the US government. This threatened to raise tariffs for Mexican products if the government headed by López Obrador did not drastically reduce the flow of irregular migrants coming, mainly, from the northern triangle bound for the United States. Although border protection is a national security issue, the strategy applied by the Mexican government was based essentially on the use of the national guard and the army to mas-



sively detain migrants.<sup>8</sup> These arrests experienced a 99% increase between 2017 and 2019 nationwide. While in 2017 there were 93,846 arrests, in 2018 there were 131,445 and 186,750 in 2019. June 2019 is the month with a historical record of arrests, exceeding 30 thousand registries. Many of these arrests take place in contexts that violate the human rights of the detainees, as reported by the CNDH (National Human Rights Commission by its acronym in Spanish) and various organizations concerned about the protection of migrants.<sup>9</sup>

<sup>8</sup> Immigration Containment: Injuries to Human Rights, during the Pandemic in Mexico, the dimension of the tragedy. Pp. 206-219. Available at: <https://tinyurl.com/y2cokxvn>.

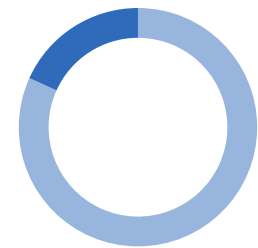
<sup>9</sup> CNDH. Special Report. Situation of immigration stations in Mexico, towards a new alternative model to detention (2019). Available at: <https://tinyurl.com/ybuz6vam>.

## THE FFAA AND THE 4T'S (FOURTH TRANSFORMATION) PRIMARY PROJECTS

Altogether, the armed forces carry out 13 activities that in principle correspond to other administrative branches, specifically the Ministry of Transport and Communications, Citizen Security and Protection, Welfare, Health, Tourism, and Government. It cannot be ignored that the fact that by employing the army and the navy for various activities that correspond to the dependencies of the Federal Executive Power, capacities are sacrificed in the areas that by law correspond to the FFAA.

Among the 13 complimentary activities mentioned above, the Mexican government will allocate 61,795 elements of the armed forces, that is, 22% active members. Of these, 54,314 military personnel and 1,600 sailors are being assigned to security tasks. In 2019, Mexico had 358,500 registered military personnel and 277,000 active members.<sup>10</sup> The elements assigned to the new tasks entrusted by López Obrador represent 15% of the registered total and 19.6% of the active members. It is worth noting that both Enrique Peña Nieto and Felipe Calderón had fewer mem-

<sup>10</sup> <https://tinyurl.com/y357pfd5>.



22% OF THE ACTIVE ARMED FORCES ARE PERFORMED IN 13 COMPLEMENTARY ACTIVITIES

bers of the FFAA for public security tasks than López Obrador for the new tasks of the army and navy. Peña Nieto mobilized 54,980 elements for security tasks out of a total of 383,575 registered elements of which 273,575 were active. On the other hand, Felipe Calderón had 52,807.

# NUMBER OF MILITARY PERSONNEL PERFORMING PUBLIC SAFETY TASKS

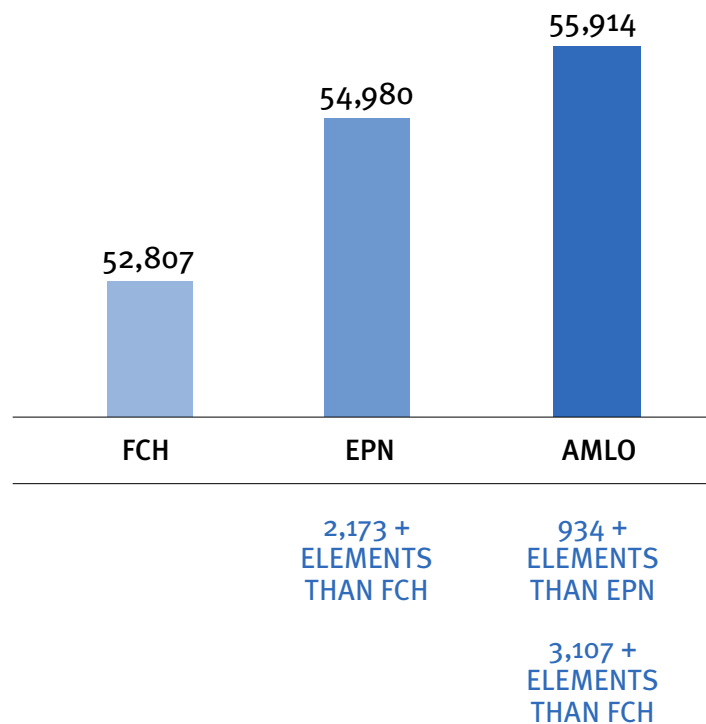


Image: The President in the green light of the Mayan train at <https://tinyurl.com/y3ro5yyb>

Just as the tasks have increased, the budget for the FFAA as a whole has also been expanded in a context of austerity in which many agencies and autonomous constitutional bodies have suffered cuts. In 2020, SEDENA was assigned 94,280 million pesos, that is, some 87,269.40 million pesos deflated as of January 2018, which represents real growth of 7.71% compared to 2018. That means they received this year, in nominal terms, 13,006 million pesos more than two years ago. Furthermore, SEMAR went from receiving 31,306 million pesos in 2018 to 33,558 million pesos in 2020. In addition, in the Expenditure Budget Project of the Federation 2021, 14,034 million are contemplated for the armed forces and 35,671 million for the national guard, a record.

In addition to the budget increases that the FFAA has experienced in the last two years, the tasks to be carried out by the army and the navy represent very significant amounts of money. Only five of the work projects under their responsibility: the construction of the Felipe Ángeles Airport, the national guard bases, the Welfare Bank branches, hospitals, and two sections of the Mayan Train, equivalent to 92 thousand 978 million pesos in 2020, although the final amounts for each work are not yet known.

TABLE 1. ARMED FORCES BUDGET MILLIONS OF PESOS, DEFLATED AS OF JANUARY 2018				
	2018	2019	2020	CLASSIFICATION
SEDENA	81,021,903,813	93,670,187,410	94,028,694,246	
SEMAR	31,305,775,196	32,083,375,192	33,557,785,594	Not available
GN (National Guard by its acronym in Spanish)	Does Not Apply	Because the GN resources came from the Federal Police, SEDENA, and SEMAR, the true amount is not clear.	29,000,000,000	Not available
PF (Federal Police by its acronym in Spanish)	27,571,928,196	26,233,830,213	448,740,461	Mayan Train Project

Source: In house-product with data from PEF 2018,2019, 2020, and PPEF 2021.

**TABLE 2. COSTS OF INFRASTRUCTURE PROJECTS TO BE CARRIED OUT BY THE FFAA  
(MILLIONS OF PESOS)**

AMOUNT 2020	CLASSIFICATION	THE FINAL COST OF WORK	CLASSIFICATION
<b>Felipe Ángeles Airport</b>			
82,136	Construction of the Santa Lucia International Airport	82.136	Construction of the Santa Lucia International Airport
<b>Hospitals</b>			
35.5	Hospitals	Not Available	Not Available
<b>Construction of bases for the national guard</b>			
8,566	Construction of facilities to support public safety tasks	Not Available	Not Available
<b>Mayan Train</b>			
1,006	Pre-investment studies for the construction of the Mayan Train railway line.	156	Mayan Train Project
248.4	Pre-investment studies for the construction of Development Poles along the Mayan Train Route.		
949	Acquisition and conditioning of the railway between Palenque and Campeche.		
<b>Welfare Bank Branches</b>			
35.5	Construction of branches of the Welfare Bank in various states of the Republic.	Not Available	Not Available
22.2	Construction of 10 branches of the Welfare Bank in the Mexican Republic.	Not Available	Not Available
<b>TOTAL</b>			
<b>92,978.2</b>	<b>— —</b>	<b>Not Available</b>	<b>— —</b>

Source: Own elaboration with information from the second quarterly report on the economic situation, public finances and public debt.

Beyond the money coming from other agencies, the budget seems to be in charge of the military. If the amount of the national guard, made up mostly of military personnel, and the amounts that this year were assigned to advance the infrastructure projects included in table 2, are added to the army and navy's formal budget, they reach 249,585 million pesos. It is worth emphasizing that the armed forces have not been characterized by their spirit of transparency and accountability. In fact, after the filing of 150 injunctions by the #NoMásDerroches (No More Squandering) collective, SEDENA decided to reserve information related to the construction of the Santa Lucía Airport for five years, arguing that it is a matter of national security. Like this task, it is not clear to whom the army will report the various activities entrusted to it.

The argument that the head of the Federal Executive has repeatedly used to justify such amount of responsibilities assigned to the armed forces is that they will be able to end the corruption that existed in those areas and, therefore, significant savings would be obtained. So much so that it has even placed active members of the armed forces in civilian positions, such as the case of Admiral Romel Eduardo Ledezma Abaroa, who since September 2 was appointed

**The budget of the national guard, the army and the navy seems to be in charge of the military, they reach 249, 585 million pesos.**

**The armed forces have not been characterized by their spirit of transparency and accountability.**





*Image:* The President at the inauguration of the National Guard. Photo: Alfredo Estrella/Agence France-Presse — Getty Images. At <https://tinyurl.com/y6gynnx3>

as head of the Directorate of the Integral Port Administration of Veracruz, by replacing a civilian, or the General of Division, Jens Pedro Lohmann Iturburu, appointed a new head of the Dirección de Administración y Finanzas del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Directorate of Administration and Finance of the Institute of Security and Social Services of State Workers).

Beyond the fact that the president does not use any argument to support such an assertion, the numbers do not show relevant savings. Although López Obrador has commented that more than 100 billion pesos will be saved with the new Santa Lucía Airport, since while the Texcoco airport would cost around 300 billion pesos, the one in Santa Lucía will only cost 82 billion, in reality, the cancellation of the NAIM had a real cost of 120 billion pesos without counting the value and use of the land currently occupied by the AICM (Mexico City International Airport by its acronym in Spanish).<sup>11</sup> Similarly, although it is known that for the Mayan Train an amount of 156 billion pesos has been budgeted, it is not known how much it would cost if the private initiative took over the construction, since no formal financial project has been presented. Besides, the initial proposal to finance

<sup>11</sup> <https://tinyurl.com/y5hawb32>.

only 10% of the project with public money was rejected and the government will end up taking over 70% of the cost of the work to avoid incurring debt in the financial markets.<sup>12</sup>

One of the various documented cases that contradict the president's comment on the importance of including the army in tasks in which there was corruption, is the one related to the opacity of military tasks in construction tasks at the Texcoco airport. In its 2018 report, the Superior Audit of the Federation reported that SEDENA did not verify an expense of 389 million pesos for the construction of the perimeter fence of the Texcoco airport. Also, Aristegui Noticias documented that the perimeter fence of the Texcoco airport, built by SEDENA, had had an 89% surcharge and that, shell companies had been used to triangulate money. It was budgeted that the project would cost 1,547 million pesos, but it ended up costing 2,930 million. Also, the fence was delivered with a delay of 531 days. Likewise, on August 24, 2020, the newspaper El País published that, between 2013 and 2019, the Mexican army paid 2,371 million pesos to 250 companies that were later declared shell companies by the SAT.<sup>13</sup>

<sup>12</sup> <https://tinyurl.com/yyhlqrg4>.

<sup>13</sup> <https://tinyurl.com/y289reum>.





*Image:* NAICM perimeter fence. Proceso / Eduardo Miranda at <https://tinyurl.com/y4u5kysp>.

In this sense, the premise that the armed forces will put an end to corruption does not seem to hold, but on the contrary, everything indicates that the president is convinced of progressively militarizing the civil tasks of the Mexican State, to carry out his nation project. It cannot be ignored that granting large resources to military corporations is a very attractive way to guarantee loyalties until the end of the administration. López Obrador's tactic is similar to that used by Salinas de Gortari when he hit the oil union and Felipe Calderón when confronting drug trafficking. In both cases, the respective presidents granted indirect benefits to the armed forces to ensure their support, one of the best known was the

scholarship plan for the education of the children of the military that began in Calderón's administration.

A very relevant note is that the prerogatives given to the FFAA by the current president were accompanied by what in deeds was an apparent disintegration of the armed forces. Large elements of the army and navy were transferred to the national guard, which already has almost twice as many elements as the navy. This decision allows the president to have greater control over the armed forces by internally deconcentrating part of its power. But this strengthening of the military power could end up surpassing civil power, meanwhile, the attributions to the army, the navy, and the national guard will be permanent for the rest of the six-year term, the correlation of political forces can be modified in 2021.





# PETRÓLEOS MEXICANOS

*The devastating pathology  
that the country faces*



# PETRÓLEOS MEXICANOS

## The devastating pathology that the country faces<sup>1</sup>



### SYNTHESIS

As a result of the reduction in demand for crude oil of almost 10% at the international level, caused by the stoppage of economic activities and the excess in the level of production, the price of oil has plummeted to levels never seen before. In this context, Petróleos

Mexicanos (Pemex) maintained its production rate close to 1.7 million barrels per day in the most critical month -although in July it reduced to 1.55 million barrels per day<sup>2</sup> its lowest level in 40 years-, which produces losses in the extraction of the most mature wells. For example, in the field in Akal where the average production cost (without considering taxes or administration expenses) is 17.27 dollars per barrel, the average price in April was 12.23 dollars per barrel, so it had a loss of \$5.04 for each barrel that was extracted. Therefore, the oil production, alone generated a

<sup>1</sup> The data used here comes from official sources of information. In the case of oil production per field, the measurement frequency is monthly from January 1996 to June 2020 and comes from the Hydrocarbons Information System (SIH) for its acronym In Spanish, of the National Hydrocarbons Commission (CNH) for its acronym In Spanish; The information related to production costs is gathered from the reports presented by Pemex to the Securities and Exchange Commission (SEC); and the export volumes with monthly frequency for 2020 are taken from Pemex's institutional database.

<sup>2</sup> Considering only the allocations (without migrations), production was 1.48 million barrels per day.

gross loss for (Pemex) of at least 82.6 million dollars during April, since only three of 199 active fields generated profits in the extraction. However, considering administrative expenses, the losses in oil production amount to 12,723 million pesos<sup>3</sup> during the second quarter of 2020.

## **OIL, AN ADDICTION THAT HURTS US MORE AND MORE**

The pandemic found Mexico in an environment of economic weakness that accelerated the reduction of global demand, and also an induced stoppage of aggregate supply that has ended up depressing economic activity. Such reduction has brought with it drastic effects on the international hydrocarbon market. In fact, since before the pandemic, member countries of the Organization of the Petroleum Exporting Countries (OPEC) had to reduce their supply by approximately 10 percentage points due to oversupply.

However, the reduction in demand has led to increased inventories of petroleum products. The excess was such that there was a surplus of oil in the world and

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<sup>3</sup> 2013 Prices.

there was no place to store it, nor was it required as in previous months. This led to negative oil prices, an event not seen before in the markets. However, in Pemex production, the strategy to follow was to continue with the extraction and not to reduce the offer.

How the world resumes its activities will determine the demand for oil in the medium term, and in general how much more energy will be required, such as oil and electricity. The information we have at this time is that in 2020 the entire global economy, and in particular the Mexican economy, will be reduced drastically and the recovery will be relatively slow.

## **WHAT ARE THE SIGNS OF A RECOVERY?**

Based on high-frequency indicators prepared by Harvard University,<sup>4</sup> it is observed that private consumption in the United States does not show a robust recovery, which is the component with the greatest weight and dynamism in the said economy. The North American market is the most important for Mexican export products, especially in the case of oil, since this market represents 65.4% of Pemex's sales abroad.

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<sup>4</sup> <https://tinyurl.com/y5bkk35>.



For their part, the changes seen in urban mobility in recent months have led the world to become aware of the improvement of the environment due to the decrease in economic activity. This may end up perpetuating some ways to work, such as the home office or the 4X10 measure that is intended to be implemented in the City of Mexico CDMX (for its acronym in Spanish) among other proposals that would reduce mobility. Likewise, the intensive use of other means of transport such as bicycles and the increase in the length of bicycle lanes, to which the local governments of large cities have been made to implement.

The reduction in demand suffered by the aviation industry due to the multiple restrictions on mobility around the world will also decrease the demand for jet fuel as long as these restrictions are prolonged. Such conditions can have serious implications on the consumption of hydrocarbons<sup>5</sup> and, in general, on energy consumption.

Likewise, the regulation of the use of petroleum products in the world has tightened in recent years. The one related to the number of electric car sales in Europe stands out, such as restrictions on the use of fuel

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<sup>5</sup> In this section we limit ourselves to dealing with those effects on the hydrocarbon market. A more in-depth analysis can be seen in the first section of the quarterly report.



Image: A PEMEX platform in the Gulf of Mexico Photo: Gustavo Miranda at <https://www.proceso.com.mx/501172/petroleras-extranjeras-se-aduenan-del-golfo-mexico>

oil in large ships internationally. In the global aspect, both the countries and the main companies in the sector have chosen to reduce the supply of oil and their investments, due to the expectations of a slow recovery in the market.

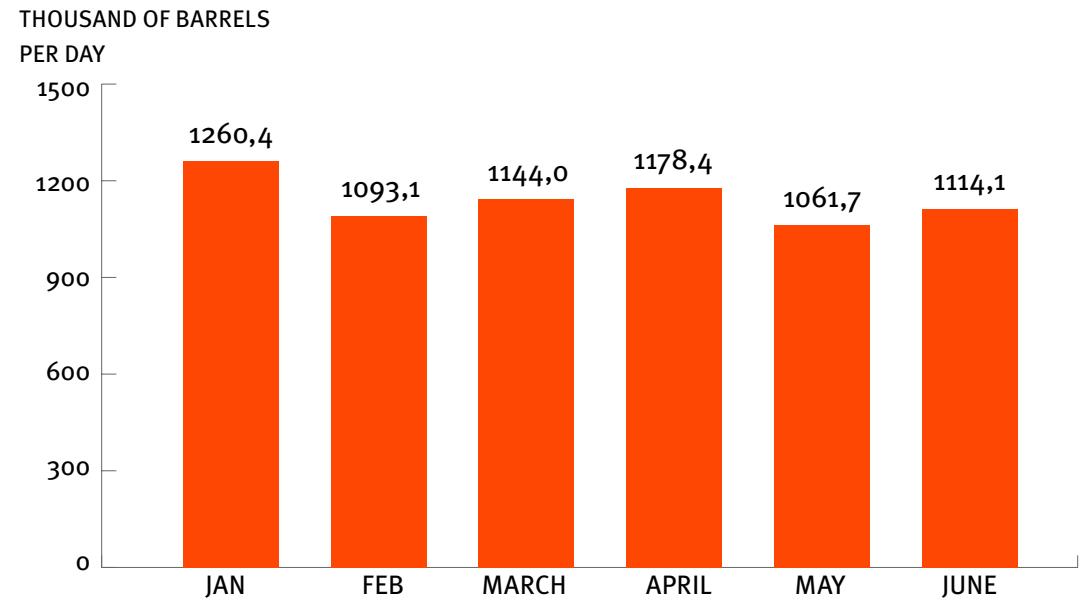
## The regulation of the use of petroleum products in the world has tightened in recent years.

### THE LOSE-LOSE STRATEGY

In this context, the decision of the federal executive in Mexico has been to increase crude oil production and to reach 1.8 million barrels per day in the short term. This figure is much lower than the government's original goal of producing 2.4 million barrels a day. In a statement on April 21st,<sup>6</sup> the President of the Republic spoke of increasing the volume of refining in order to reduce gasoline imports, but this would have the effect of reducing oil exports. In other words, oil production can have two destinations: exportation and/or refining by Pemex for internal sales, while any surplus

<sup>6</sup> <https://tinyurl.com/y47eebyt>.

GRAPH 1. THE VOLUMEN CRUDE OIL EXPORTS 2020



Source: In-house elaboration with information from the Energy Information System (SIE) for its acronym in Spanish.



becomes part of the inventories. In the first case, the main destination is the United States. However, the reduction in external demand caused a drop in exports of 15.8% between January and May of this year.

As for the domestic market, the main destination of oil is the transformation into petroleum products, such as gasoline, diesel, liquefied petroleum gas, fuel oil, jet fuel, among others. These final products are intended for internal sales and different uses. During the last months, the gasoline demand was reduced by 40%, and the reduction of diesel was 35% at an annual rate.

Despite clear market signals, the volume of oil production remained constant during April. And with exports reducing as well as the domestic demand for petroleum products, this strategy immediately resulted in an increase in refining due to the excess supply generated in the short term, but also the level of petroleum inventories increased.

On the other hand, increasing refining has the effect of increasing the production not only of gasoline but also of fuel oil, which is petroleum with low demand in the market (both internal and external) due to its high levels of sulfur. Its domestic use is for the generation of electricity in the combined cycle plants of the Federal Electricity Commission (CFE) for its acro-



*Image:* Petróleos Mexicanos (Pemex) Photo: Agencia Reforma at <https://www.elimparcial.com/mundo/Pemex-es-la-novena-empresa-mas-contaminante-del-mundo-20191010-0012.html>.

nym in Spanish, which generates PM<sub>2.5</sub> pollutants, which are highly hazardous to health. And according to the Health Effects Institute and the Institute for Health Metrics and Evaluation, it is the cause of 32,800 deaths a year in Mexico (as many as crime).<sup>7</sup> Also, recent studies show that prolonged exposure to this type of pollutant increases the death rate from COVID-19<sup>8</sup> by 8%.

<sup>7</sup> <https://tinyurl.com/y6pfrzrz>.

<sup>8</sup> <https://tinyurl.com/yxjcl7f6>.

## FIELDS ON INTENSIVE CARE

The challenge then for Pemex is to operate in a context of low prices and reduction in demand and, as for any company, to maximize profits. For this, at least one premise must be met: income must be greater than costs.

There are fields with differentiated direct production costs. That is places where oil extraction is more or less expensive. This is the case of the Akal field (one of the most important given its reserves), which has an average production cost of \$17.27 per barrel. The

average cost in Ku-Maloob-Zaap (the fields with the largest proven reserves) is \$10.37 and in the rest of the fields, this cost is \$16.32 per barrel. Overall, the average cost of the single extraction per field is \$14.06. In April, the average price was 12.23 per barrel and increased to 36.43 dollars per barrel on average in July. Given that, at these costs, it is necessary to increase taxes, duties, and administrative and distribution costs of Pemex, the business of extraction of crude oil at low prices makes it unviable in that region.

**TABLE 1. PRODUCTION, THE AVERAGE COST OF PRODUCTION PER FIELD, AND GROSS PROFIT (LOSS), APRIL 2020**

FIELD	PRODUCTION (THOUSANDS OF BARRELS PER DAY)	THE AVERAGE COST OF PRODUCTION (DOLLARS)	AVERAGE PRICE (DOLLARS)	INCOME (MILLIONS OF DOLLARS)	TOTAL COST (MILLIONS OF DOLLARS)	GROSS PROFIT (LOSS) (MILLIONS OF DOLLARS)
Akal	39,8	17,27	12,23	14,6	20,6	-6,0
Ku	73,6	10,37	12,23	27,0	22,9	4,1
Maloob	364,3	10,37	12,23	133,7	113,3	20,3
Zaap	292,7	10,37	12,23	107,4	91,1	16,3
Rest of the fields	956,2	16,32	12,23	350,8	468,1	-117,3
					<b>Total</b>	<b>-82,6</b>

Source: In-house elaboration with information from the CNH and SEC.

This implies that since the extraction, Pemex lost 5.04 dollars per barrel during April in the Akal field; in the Ku-Maloob-Zap fields, it barely made a surplus of \$1.86 per barrel. In the rest of the fields, it had a loss of \$4.09 per barrel. And on average had a loss of \$1.83 for each barrel of oil that Pemex extracted during the most critical month, April. This implies that extraction alone –considering 1,726.6 thousand barrels per day– generated losses for Pemex of the order of 82.6 million dollars (at market prices) during April, this without considering taxes, duties, and administration expenses and of distribution. In other words, this measurement underestimates the loss (profit) of the company's oil production, but it is enough to show the critical situation it faces.<sup>9</sup>

Even in May, the oil company faced serious problems due to the uncertainty in international markets, when the average price was 24.72 per barrel. This offset the reduction in exports of almost 16% compared to January, despite the slight recovery in exports to the United States.

From the information available at the oil field level, it can be observed that there is a strong dependence

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<sup>9</sup> An approximation to the cost of production is shown below, introducing administrative expenses, which better reflects the operational reality of Pemex.

on a small set of fields to meet production goals and minimize the losses generated by extraction in the most expensive wells. As of June 2020, 199 fields are producing, and from the SEC information previously exposed, we know that 196 of them operated with negative revenues (98.5% of the total) during April.

By analyzing the data from the Akal, Ku-Maloob-Zap wells as well as the six with the highest production as of June 2020, we can see that the best years for Pemex are gone. The peak in field production in Akal marked a before and after in the country's production level.<sup>10</sup> The increase in prices in the years after the peak in production was accompanied by a decline tending to its depletion, which was partially offset by the increase in the production of the Ku-Maloob-Zap fields as can be seen in Graph 2.

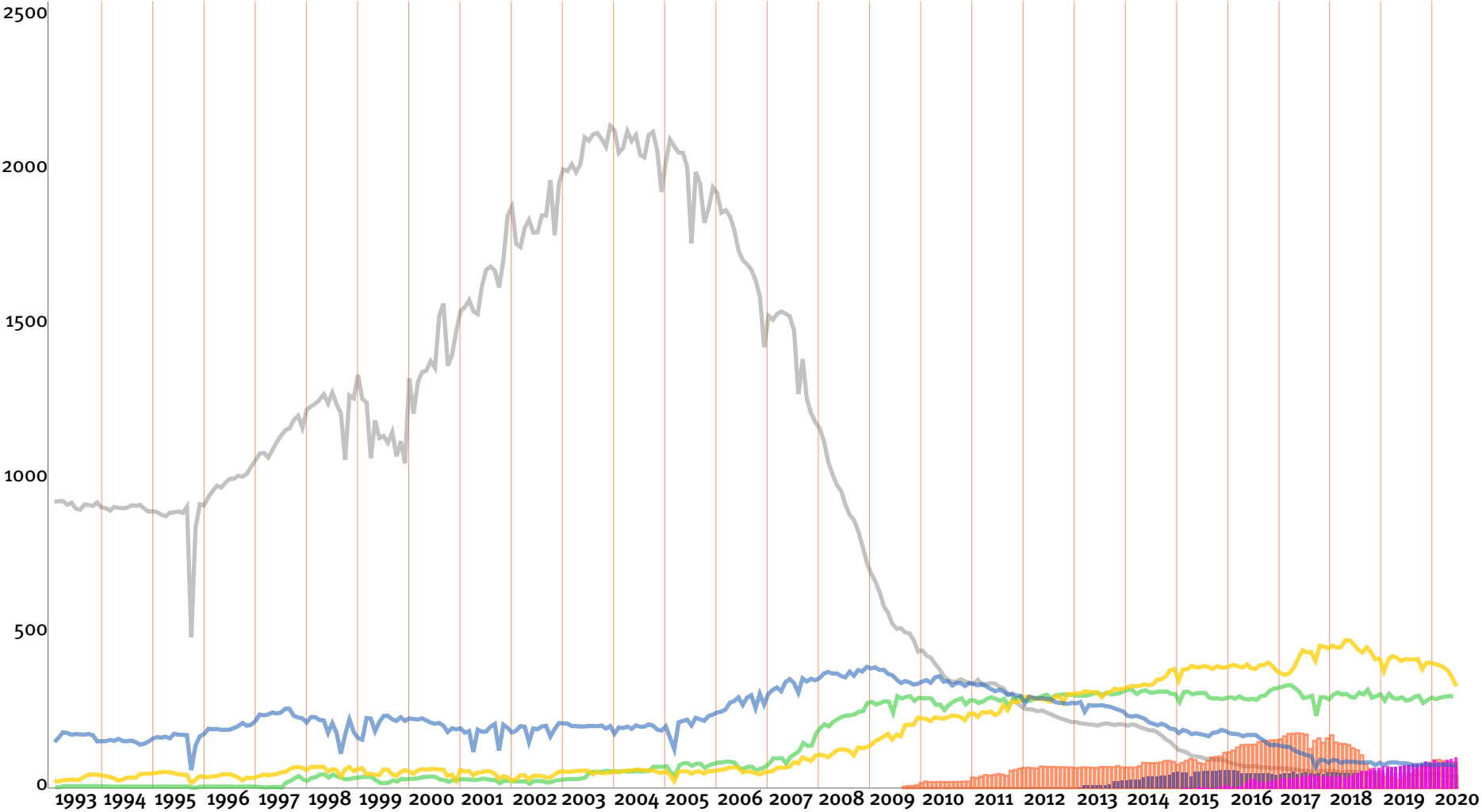
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<sup>10</sup> The highest point of oil production between December 2018 and July 2020 was 1,746.8 thousand barrels per day (including the participation of private companies), which represents 83% of the maximum level of production only from the field in Akal in December 2003, and 50.6% with respect to the historical maximum of Pemex production.

GRAPH 2. PRODUCTION VOLUME IN THE MAIN FIELDS

THOUSAND OF  
BARRELS PER DAY

XANAB MALOOB KU ZAAB AKAL ONEL AYATSIL



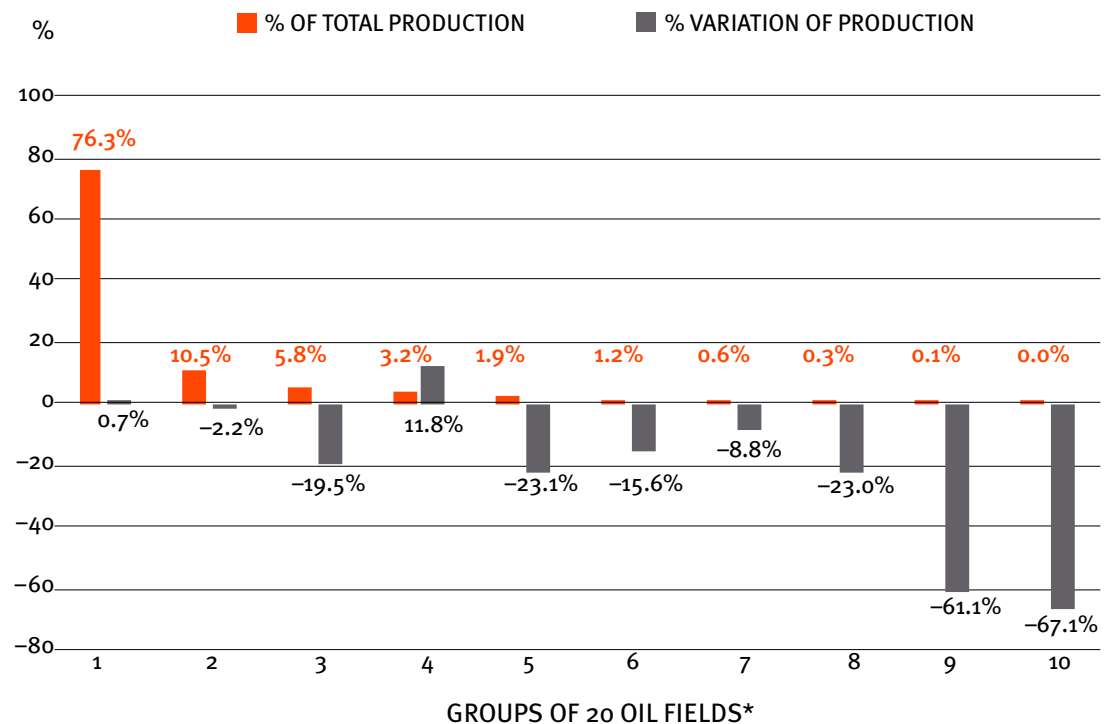
Source: In-house elaboration with information from the CNH.

The longer it takes to accept what the data tells us the worse the company's situation may be. What was once the most prolific field has been depleted, and extracting more oil from that field leads to losses. And it may be too early to say that the top producing Maloob and Zaap fields have peaked production, but at least the former peaked in April 2018 and the latter in March 2017. From there, its production has stagnated and even in recent months, its production has declined, even before we had a decline in economic activity in March 2020.

Graph 3 shows the behavior of production in groups of 20 fields per sphere,<sup>11</sup> the contribution to total production is expressed by its size, and its respective growth is given on the vertical axis. The group with the highest oil production represents 76.3% of the total, it has a growth rate of 0.7% from June 2019 to June 2020. On the other hand, 8 of the 9 remaining groups show negative growth rates in the same period, which accounts for 20.5% of the total production. If both groups maintain these growth rates, the level of production shortly will not exceed 1.8 million barrels per day for the remainder of 2020.

<sup>11</sup> Except for the first group, which is made up of 19 fields.

**GRAPH 3. PRODUCTION VARIATION (%),  
JUNE 2020 COMPARED TO JUNE 2019, BY FIELDS**



\*Each group is formed by 20 fields (the first group is the exception which is formed by 19, organized in descendent order, where group 1 has the (19) fields with the largest production and group 10 (20 fields) with least production.

Source: In-house elaboration with information from CNH.



On the other hand, 1P reserves<sup>12</sup> have been in decline since 2001, which has been reduced by 73.2 % between 2001 and 2020. Similarly, these reserves for the 19 fields with the highest production (19+) as of June 2020 have been reduced by 67.8%. And between 2003 and 2020, the reserves of the 19+ have seen their participation in the total diminished, going from 67.2% to 59.8%.

However, the only way to increase proven reserves is through discoveries and these can be carried out through exploration, an activity that has been negatively affected in its investment given the red numbers of the company. Pemex is at a crossroads.

**By analyzing the data from the Akal, Ku-Maloob-Zap wells as well as the six with the highest production as of June 2020, we can see that the best years for Pemex are gone.**

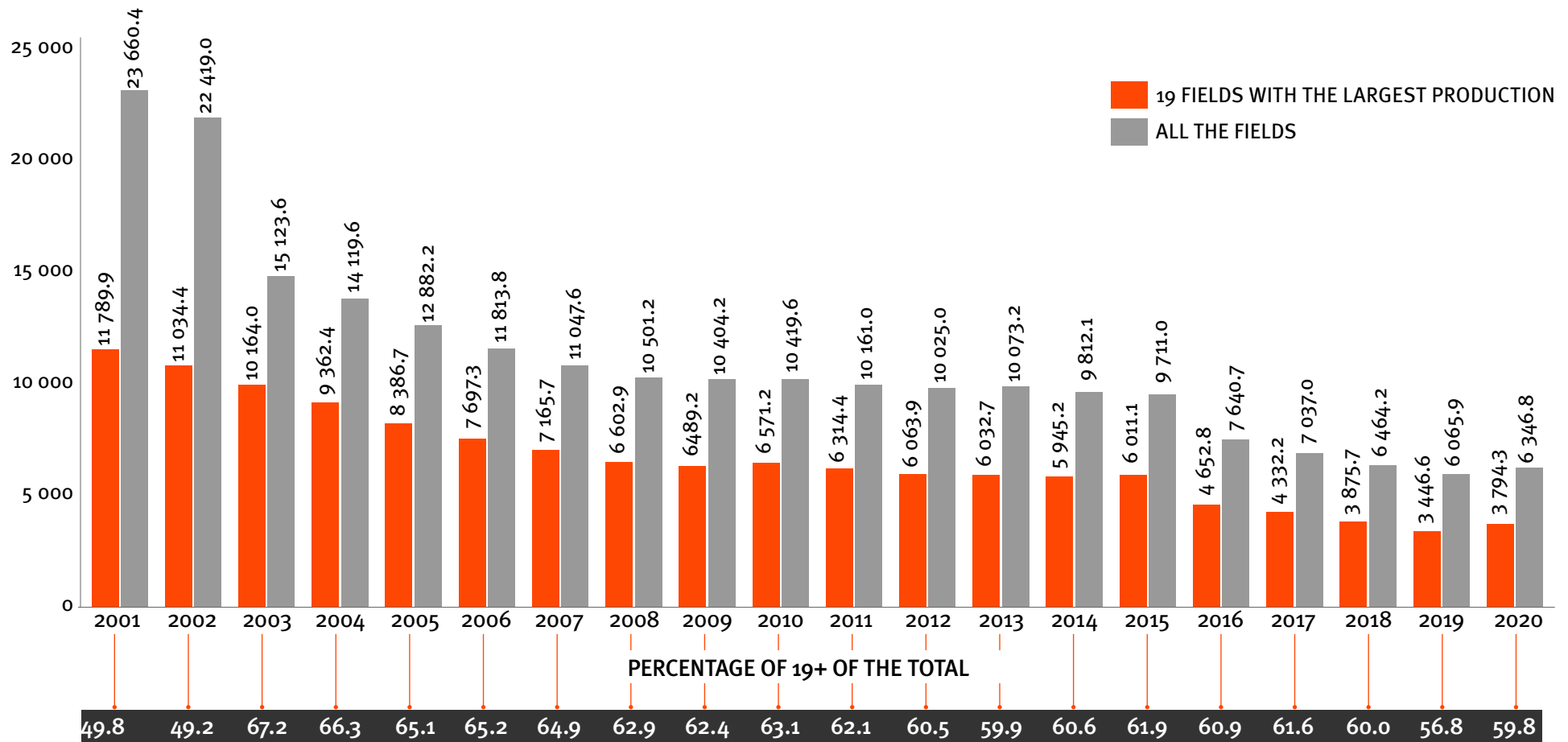
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<sup>12</sup>1P reserves are those with a probability of at least 90% that the volume to be recovered will be equal to or greater than that calculated.



*Image: Unification of a shared field with a private enterprise. Photo at <https://www.eleconomista.com.mx/empresas/Pemex-va-por-su-segunda-unificacion-de-un-yacimiento-con-un-privado-en-aguas-someras--20200902-0029.html>.*

GRAPH 4. EVOLUTION OF PROVEN RESERVES 1P ALL FIELDS AND THE 19 WITH THE HIGHEST PRODUCTION



Source: In-house elaboration with information from the CNH.



## PRODUCTION AND ITS IMPACT ON FINANCES

All of the above is relevant due to the fact that the company's main line of business has been extraction. Under the current scenario, the results at the end of the year may end up being more than catastrophic, if we consider that from January to June 2019 this segment presented better results than now, and despite this, the company had considerable losses.

During the second quarter of 2020, the losses are obvious. The company barely had a favorable gross return (5.6% concerning total revenues), but the difference with the same period last year is -88.8% in real terms. Only for the exploration and production segment, gross income decreased by 97.9%. This line of business only obtained 1 peso of profit for every 100 pesos it sold, 99 pesos were costs.

**TABLE 2. FINANCIAL INFORMATION FOR THE EXPLORATION AND PRODUCTION, INDUSTRIAL TRANSFORMATION, AND TOTAL PEMEX SEGMENTS (BILLIONS OF PESOS, 2013 = 100) 1/2**

BILLIONS OF PESOS OF 2013 (FIGURES ROUNDED TO INTEGERS)*	APRIL - JUNE 2020			APRIL - JUNE 2019			REAL ANNUAL VARIATION (%)		
Concept**	EP*	TRI	Total	EP	TRI	Total	EP	TRI	Total
Total sales	71	83	137	147	189	286	-52	-56	-52
Impairment (Reverse) of wells, pipelines, property, work sites and equipment	9	5	14	26	1	3	-67	583	311
Cost of what was sold	62	85	115	87	192	214	-29	-56	-46
Gross return (loss)	1	-7	8	34	-3	68	-98	141	-89
Distribution and transportation expenses	0	5	4	0	5	4	-46	-9	-7
Administration expenses	22	13	29	11	10	26	105	32	12
Operating performance (loss)	-21	-25	-22	22	-16	40	-192	49	-156

**TABLE 2. FINANCIAL INFORMATION FOR THE EXPLORATION AND PRODUCTION, INDUSTRIAL TRANSFORMATION, AND TOTAL PEMEX SEGMENTS (BILLIONS OF PESOS, 2013 = 100) 2/2**

BILLIONS OF PESOS OF 2013 (FIGURES ROUNDED TO INTEGERS) *	APRIL - JUNE 2020			APRIL - JUNE 2019			REAL ANNUAL VARIATION (%)		
CONCEPT**	EP*	TRI	Total	EP	TRI	Total	EP	TRI	Total
Financial Cost	-27	-2	-29	-24	-2	-24	16	44	22
Financial Income	12	0	3	14	1	2	-10	-92	11
Exchange Profit (loss) - Net	33	2	37	13	3	17	159	-28	119
Total duties, taxes and others	11	0	18	79	0	78	-86	-	-77
Net return (loss)	-8	-25	-33	-48	-15	-40	-84	68	-17

Source: In-house elaboration with information of Pemex.

\*The financial state presents the most relevant items for two business segments, so the sum of the partials may not be equal to the totals;

\*\*EP: Exploration and production; TRI: Industrial Transformation.

After said gross profit, the administrative expenses and the payment of amortizations must be considered. But only by adding the administrative cost to the gross yield, without considering the deterioration (reverse) of wells, pipelines, properties, worksites, and equipment; we have as a result the closest thing to a figure of the profit of oil production, which results in a loss of -12,723 million pesos.<sup>13</sup>

It should also be considered that the damage is not only taken by Pemex but also by the public treasury

as said segment of the company contributes to a lesser extent. In addition, the federal government made the governmental decision to reduce the tax burden on Pemex. Thus, the payment of taxes and duties in the second quarter of 2019 was 79 billion pesos, which was reduced to only 11 billion in 2020: -85.9% in real terms.

On the other hand, operating income decreased by 192.5% in the case of exploration and production, and the company as a whole had a reduction of 155.6%. In part, the difference is explained by the fact that other

<sup>13</sup>Amounts are expressed in 2013 pesos.

lines of business showed positive variations. However, both reductions are unsettling to the extreme. Nor should we fail to notice the increase in administrative expenses during the second quarter of 2020, of 104.8% in Pemex exploration and production, opposite to the behavior of income and almost nine times higher than the increase in administrative expenses of the entire company.

Since the industrial transformation (refining) business generates losses, each additional barrel sent to refining generates more losses. Given the company's decision to reduce sales abroad and direct them to transformation (be it gasoline, diesel, jet fuel, fuel oil, among others), gross losses in the industrial transformation sector almost doubled compared to last year. The operating loss was -24,600 million pesos. In other words, Pemex loses from oil extraction and loses even more by refining it.

**Pemex loses from oil extraction and loses even more by refining it.**

## CONCLUSIONS: A CLASH... OF REALITY

With the recovery of international prices due to the gradual increase in economic activity, the outlook has improved compared to April of this year. However, expectations continue to show a pessimistic scenario as long as the propping up of Pemex continues to be one of the priority objectives of the federal government.

Given the current production level and the downward trend in proven reserves, it is technically impossible to set a goal of 1.8 million barrels per day in the short term, even with the increase in production by private companies. In addition to this, investment in exploration has decreased, thus limiting the capacity to grow production in the medium and long terms.

However, in the remote case of increasing production and deciding to refine crude oil in Mexico, the company's losses will increase and the effects on the domestic market will be devastating given the serious deterioration of the refineries. Sending a greater quantity of crude to refining implies increasing the production of fuel oil, which is used in combined

cycle power plants for the generation of electricity, which will lead to an increase in the cost of production. Finally, such use will have harmful effects on health due to the increase in air pollution.

The company's financial situation requires financing for new investments in the company's main business, exploration, and production. However, the cost of international financing will increase as the risk rises with the deterioration of the company, and as a negative perspective of it is maintained. It is imperative to evaluate the opportunity costs of the company based on what is best for itself and the country. A

better path must be found to secure energy and one in which the company has financial viability in the medium and long term.

We, therefore, warn about the scarce cash flow generated by Petróleos Mexicanos in its main line of business, which becomes insufficient to meet its short-term liabilities. Faced with a depressed market, and with administrative expenses in constant growth, the questions are how will the problem be solved and at what cost? And where will the injection of capital come from to the company?





# BUSINESS CLOSURE

*The other  
unstoppable epidemic*



Local en  
Agonia, Queremos  
Trabajar  
#Unidos

# BUSINESS CLOSURE

## the other unstoppable epidemic



### SYNTHESIS

More than 451 thousand companies in Mexico are in a technical stoppage: they have not opened their doors during the confinement or have made any other effort to continue operating because of different reasons. It is the closest thing to bankruptcy. There are still 47% of companies (especially SMEs) that have a probability greater than 50% of closing their doors permanently in the coming months, a percentage that represents approximately 60,283 companies.

At least two direct effects of company bankruptcy are identified in the short and medium-term: job losses and company insolvency.

The impact on the past due portfolio<sup>1</sup> has already begun to show itself in the SME delinquency index, which shows an upward trend, increasing from 5.9% to 6.4% from February to May of this year. For its part, formal and informal employment has fallen to its lowest rates in recorded history.

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<sup>1</sup> The National Banking and Securities Commission (CNBV) for its acronym in Spanish, defines the past due portfolio as: all credits that have been granted by any financial entity and that have not been paid by the borrowers in the terms originally agreed.



## IMPACT OF COVID-19 IN COMPANIES IN MEXICO

The consequences of COVID-19 on the Mexican economy has had a direct impact on its real sector.

**The massive closure of businesses<sup>2</sup> has brought with it a drop in economic activity in an unprecedented way in the modern history of this country.**

The effects of this fall are just starting to be noticed and felt. The forecast is that thousands of companies will be severely affected, which will also generate an impact on employment.

According to the 2019 Economic Censuses, most of the economic units in Mexico employ less than 250 people.

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<sup>2</sup> It is extremely important to clarify that we adhere to the definition of closure presented by the National Institute of Statistics and Geography INEGI, for its acronym in Spanish, in recent days (technical stoppage and temporary closure). Since this definition allows us to have a clear overview of the depth of the economic crisis, its eventual recovery, as well as the effects generated by the closure of businesses.

Those considered as micro, small and medium-sized enterprises (MiSMEs) represent 99.8% of the total economic units. These units in turn concentrate 70.9% of the employed population, the remaining 29% is employed by large companies (with more than 250 people). Also, the sales value of the first group is 3.3 billion pesos, while for large companies it is six billion pesos a year<sup>3</sup>, which is equivalent to 42% of GDP.

According to the economic activity they carry out, 49.5% of the companies can be considered essential<sup>4</sup> economic activities, and the other 50.5%.

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<sup>3</sup> The 2018 National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE) for its acronym in Spanish, considers the value of sales of the three main goods or services.

<sup>4</sup> The 2018 National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE) for its acronym in Spanish, considers the value of sales of the three main goods or services. Gazette of the Federation and / or the National Statistical Directory of Economic Units (DENUE) for its acronym in Spanish of INEGI: <https://tinyurl.com/udwrzgm>, <https://tinyurl.com/ydymo64q>, <https://tinyurl.com/y4dza1qk>, <https://tinyurl.com/y59o6mqk>.






As non-essential in such a way that the Mexican economy is lucky to keep a certain type of balance. Therefore, from the first moment in which the declaration of confinement and the closure of businesses in Mexico was made official (March 31st) and the subsequent stages of reopening, it could be said that about half of the companies in the country have not stopped operating. However, there is information from the Survey on the Economic Impact Generated by COVID-19 in Companies (ECOVIED-IE) 2020, where it mentioned that this in reality applies only to 40.4% of companies in Mexico.

The rest have had to implement closures (some longer than others) or different measures that allow them to continue operating.

With the agreements issued by the federal executive branch on April 6th and 8th, other activities were included and with them the opening of more businesses. These activities include 926 thousand 502 companies, but as mentioned, not all were in operation.

Subsequently, with the arrival of the epidemiological semaphore in Mexico (of a federal nature), various economic sectors have been gradually reopened; however, under certain restrictions, such as timetables, geographic location, or limited to a portion of

the total established clientele, in addition, local governments have established various guidelines in order to control the spread of SARS-CoV-2.

ACTIVIDADES	ROJO	NARANJA	AMARILLO	VERDE
 MEDIDAS DE SALUD	En todos los niveles se mantienen las medidas de salud pública			
 LABORAL	Sólo esenciales	Esenciales y 30% no esenciales	Se reanudan actividades esenciales y no esenciales	
 ESPACIOS PÚBLICOS	No permitido	30% de espacios abiertos	70% de espacios abiertos y 30% espacios cerrados	Apertura de espacios abiertos y cerrados
 PERSONAS VULNERABLES	No permitido	Cuidado Máximo	Cuidado Medio	Cuidado de control
 ESCOLAR	No se permite el reinicio de clases			Reinicio de clases

*Image:* How does the traffic light for the reopening of work centers work? En <https://tinyurl.com/yymzx8da>.

Even with the partial reopening of the economy, there are still a large number of companies that remain closed. The big question that arises from here is, how many of these companies will stop operating after the economic reopening applies to entire regions (such as states) or economic sectors?

**If the reopening continues to be postponed due to the health contingency, we will likely see the unleashing of an economic crisis of greater proportions.**

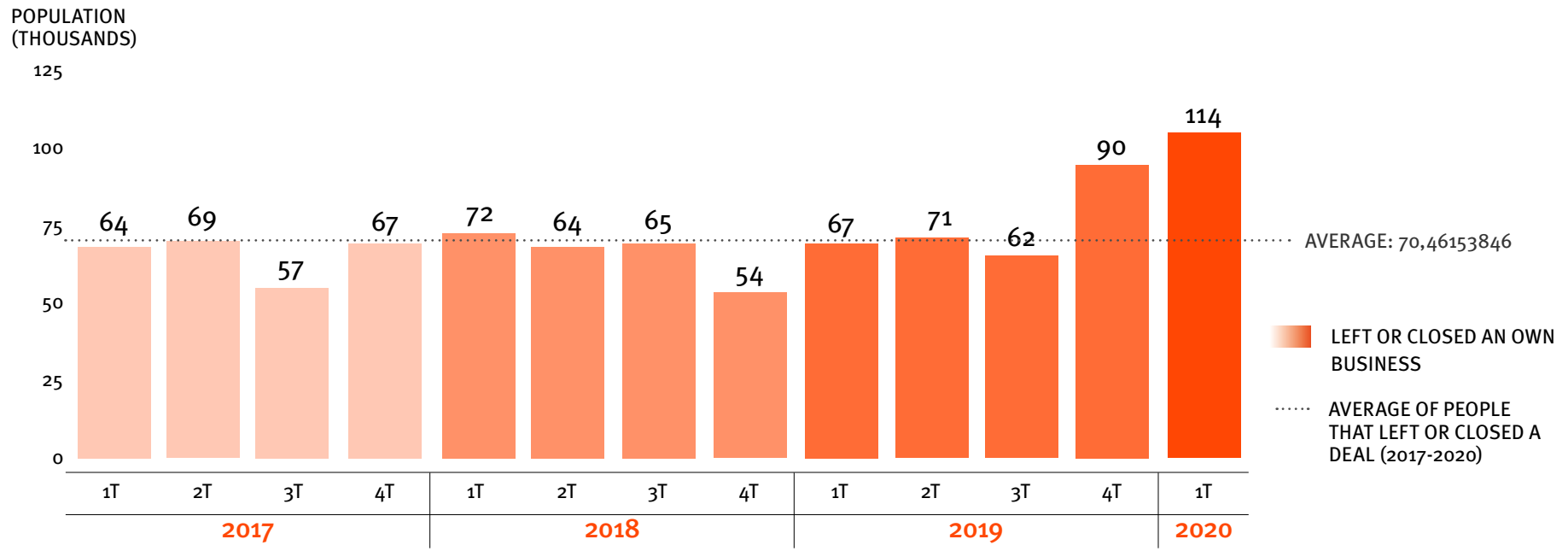
The loss of employment that will generate a consequent reduction in consumption due to the loss of income, as well as the risk that the financial system may be infected by the lack of liquidity of Mexican businesses to face the payment of their respective credits, can spread and significantly prolong the economic crisis.

## **BUSINESS IN THE RUN-UP TO THE HEALTH AND ECONOMIC CRISIS**

Based on the National Occupation and Employment Survey (ENOE) for its acronym in Spanish, we can observe that the number of people who were unemployed due to leaving or closing their own business in March 2020 was 113 thousand 532 people, a figure not seen since the first quarter of 2014 when it was 115 thousand 470 people. This implies an increase in unemployment due to the increase in company closings of 25.5% compared to the previous quarter and 70.5% compared to the first quarter of 2019, a figure that expresses the severity in which the Mexican economy found itself. Given that the ENOE does not record the number of people who are employed due to the opening of its businesses, this figure does not correspond to the net variation (openings minus closings) of the number of businesses in Mexico, therefore the sum of the partials (between January and March) is not equal to the total number of closings (or openings).

**In March 2020, 113,532 people left or closed their own business.**

**GRAPH 1. UNEMPLOYED POPULATION DUE TO LEAVING OR CLOSING THEIR OWN BUSINESS**



Source: In-house elaboration with information from ENOE.

However, the statistics show the adverse situation faced by people who started a business prior to the health crisis. The sudden reduction in employment in the first quarter of 2020, when it increased by 70.3 thousand unemployed compared to the average of the first quarter of 2017-2020, meant 61.4% more, as can be seen in graph 1. The depletion of the economy had become increasingly evident since before the health crisis.

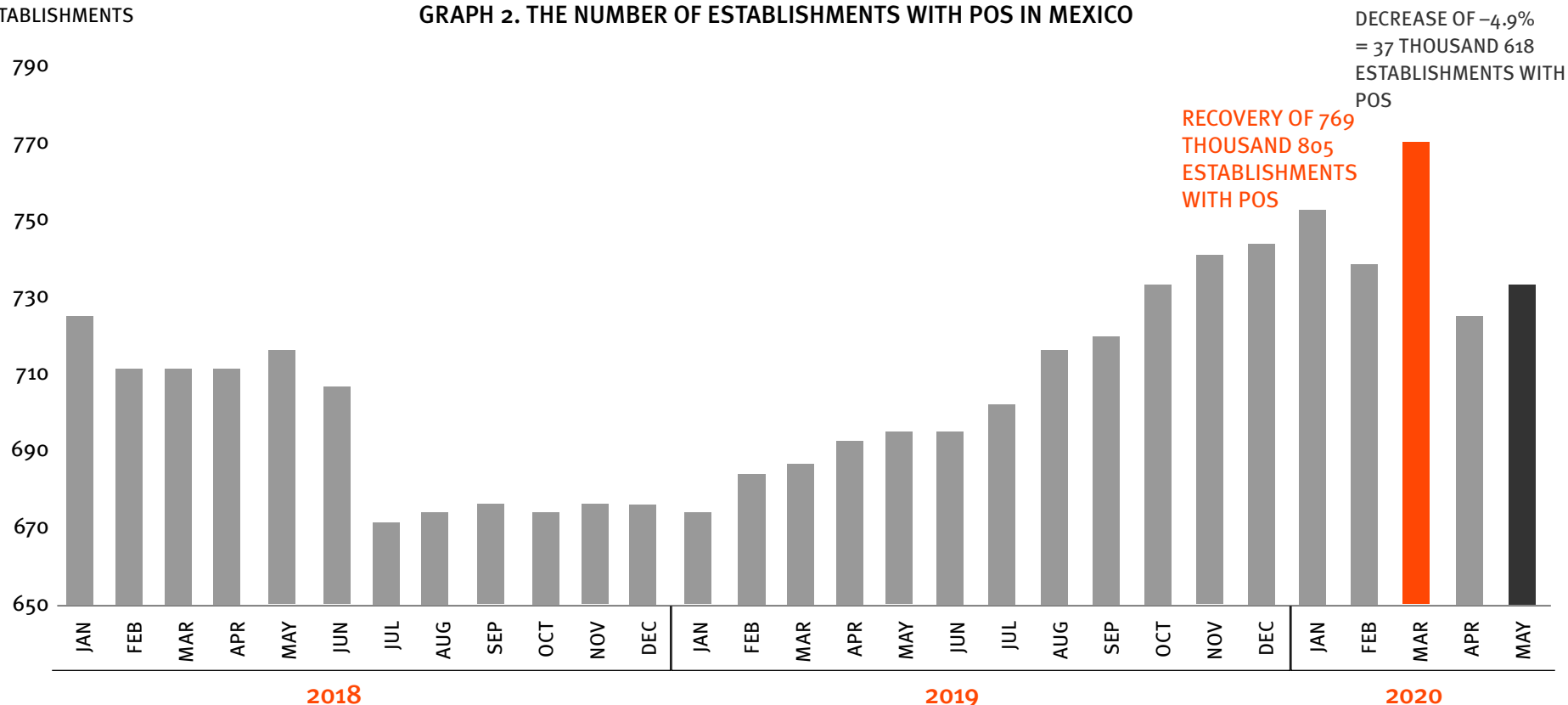
Another measurement that allows us to know the magnitude of the problem are transactions through the point of sale terminals (POS) in businesses. Although it is recognized that such variation expresses the situation of a certain set of businesses (especially SMEs) and not the totality gave the scarce financial penetration, it is an indicator of the permanence of the companies.

After recovering from the fall in the number of establishments with POS between June and July 2018, to reach a historical maximum in March 2020 (769 thousand 805 establishments with POS), the presence of POS has decreased again in May. Said decrease between March and May is -4.9%, an absolute difference of 37 thousand 618 establishments.

It is extremely important to clarify that, according to ENAPROCE 2018, 69.4% of SMEs in the country accept credit, debit cards, or checks as a means of payment versus only 16.7% of microenterprises. This implies that, based on the POS statistics, we can obtain more robust conclusions for SMEs.

THOUSANDS OF  
ESTABLISHMENTS

GRAPH 2. THE NUMBER OF ESTABLISHMENTS WITH POS IN MEXICO

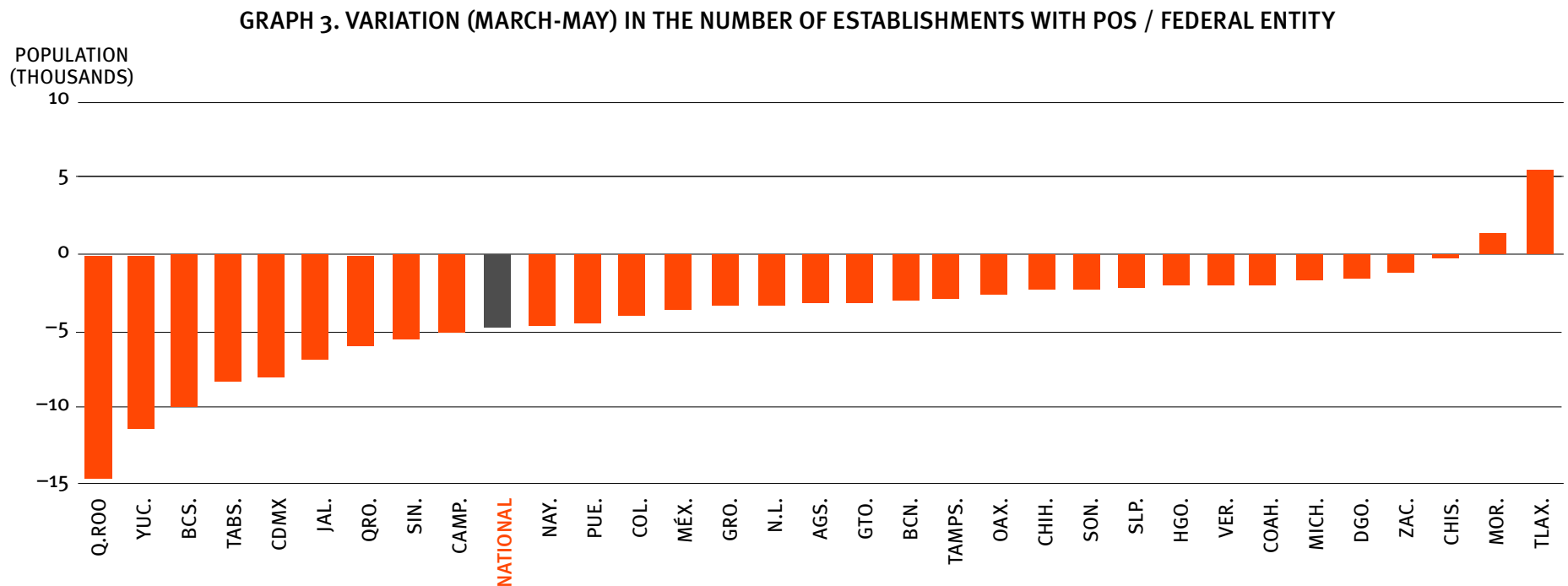


Source: In-house elaboration with information from Banco de México

The contraction in the number of establishments with POS is exacerbated when the relative variation is taken into account by state and even by regions of the country. In the southeast, Quintana Roo and Yucatán lead the loss; For their part, Tabasco and Campeche are above what's nationally registered. On the other hand, this reduction is consistent with the decrease in the number of formal jobs by state. Consequently, it is not surprising that Baja California Sur is also among the states with the greatest reduction.

The foregoing due to the vocation of such states to tourism services. Now, concerning the total loss in the said period, only four states accumulate 56.1%, namely: Mexico City, Jalisco, Quintana Roo, and the State of Mexico.

**The greatest loss of establishments with POS belongs to the states dedicated to tourist services.**



Source: In-house elaboration with information from Banco de México.

According to this survey, 93.5% of small businesses consider that the main reasons for the bankruptcy are: drop in sales, high cost of utilities and services (electricity and gasoline), lack of working capital and a reduction in suppliers repayment terms, public safety (armed robbery and petty theft), rent and salaries.



Image: in <https://latitudmegalopolis.com/2020/07/29/pequenos-comercios-en-quebra-por-covid-19-en-mexico/>.



## HOW MANY COMPANIES HAVE BEEN AFFECTED IN MEXICO?

A figure that clarifies the panorama in the rest of the country is the one offered by the Covid-19 Impact on Small Business<sup>5</sup> survey –which is representative for small businesses in the Valley of Mexico, Veracruz, and Oaxaca–, which tells us that for July 150 thousand micro-businesses (the well-known “small store at the intersection”) have declared bankruptcy.

<sup>5</sup> <https://tinyurl.com/y4489hrb>.

According to ECOVID-IE, 59.6% of companies implemented technical stoppages or temporary closures. However, by company size, the said technical stoppage or closure was 44.1% for large companies, 51.5% for small and medium-sized companies, and 60.3% for micro-companies. By type of business activity, essential and non-essential, 42.1%, and 57.9% respectively. However, within those companies that carried out such stoppages or closures, an important part



*Image:* in <https://heraldodepuebla.com/2020/05/03/comida-solo-para-llevar-o-a-domicilio-decreta-barbosa/>.



*Image:* in <https://expansion.mx/empresas/2020/07/28/el-covid-19-causa-el-cierre-de-150-000-pequenos-comercios-en-el-pais>.

implemented operational actions (59.6%), among which the following stand out home delivery (15%), special promotions such as discounts, rebates, deferred payments, 2 for 1, among others (12.8%) and Home office (12.8%).

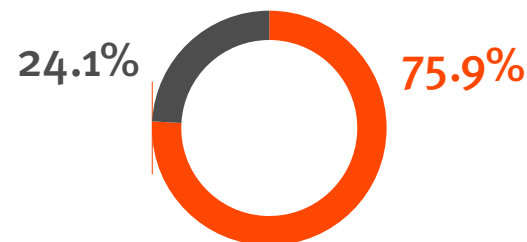
The foregoing implies that regardless of the regulation not allowing non-essential businesses to be kept open, they have had to implement various mechanisms that allow them to continue operating. In other words, companies have closed their doors and do not imply that they have stopped offering their products or services.

Therefore, those that did not implement stoppages and closings, plus those that did close but did implement operational actions such as those described above, can bring us closer to the number of companies that are in operation.

**Thus, the companies that continued in operation in one way or another are 75.9% of companies, while the remaining 24.1% of companies have completely stopped their activities.**



Image: in <https://politica.expansion.mx/cdmx/2020/04/02/enfotos-por-covid-19-colocan-vallas-en-el-zocalo-y-cierran-madero#pid=slide-1>.



This 24.1% corresponds to 451,070 companies that kept their doors closed and also did not take any action to stay in operation.

Now, of those companies that stopped their activities, 97.3% presented some type of ill effect. The most common ill effects are:

1. 93.2% of the companies presented a decrease in their income by 62.6%.
2. 76% faced a decrease in demand of 59.6%.
3. 46.4% has lower availability of cash flow and shortage of supplies, raw materials, finished goods, or materials acquired for resale, with a drop of 61.6%.

By company size, the main impacts were the following:

1. 92.7% of large companies have implemented operational actions, 73.3% of SMEs, and only 58.9% of microenterprises.
2. Working from home has a higher prevalence among larger companies; 87.7% of large companies have implemented this action, instead, it was only like this for 44.5% of SMEs and 17.1% for the case of micro-companies.

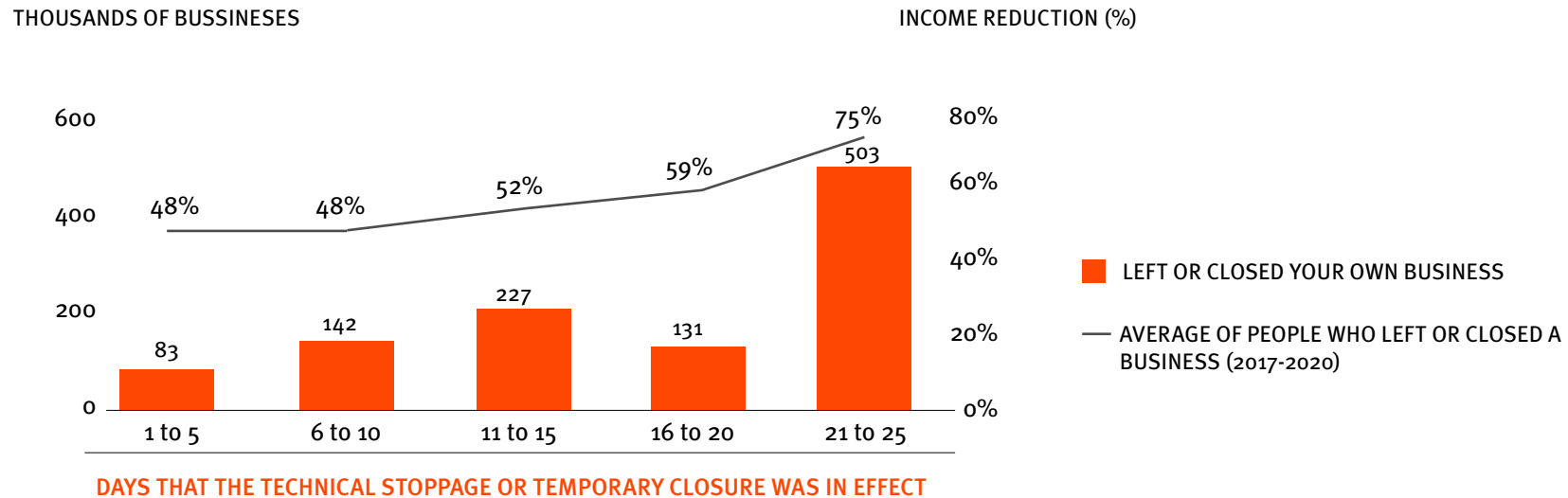
3. By type of ill effect, the decrease in income is the one with the greatest presence, but with different impacts. 85.9% of micro-companies have this type of ill effect, 80.7% of SMEs and 33.5% of large companies. In turn, microenterprises saw their income affected by 56.6% on average, SMEs showed a 52% decrease and large companies had a 27.7% decrease.

In general, it is observed that the longer the technical stoppage or temporary closure lasts, the loss of income is affected in a greater proportion. So much so that 47% of companies that have implemented any type of closure have had a decrease in their income of 75% on average; This is because they have had to extend said closure for at least three weeks.

**What's more, just closing between one and five days has implied a loss of income of almost 50% for 83,000 companies.**



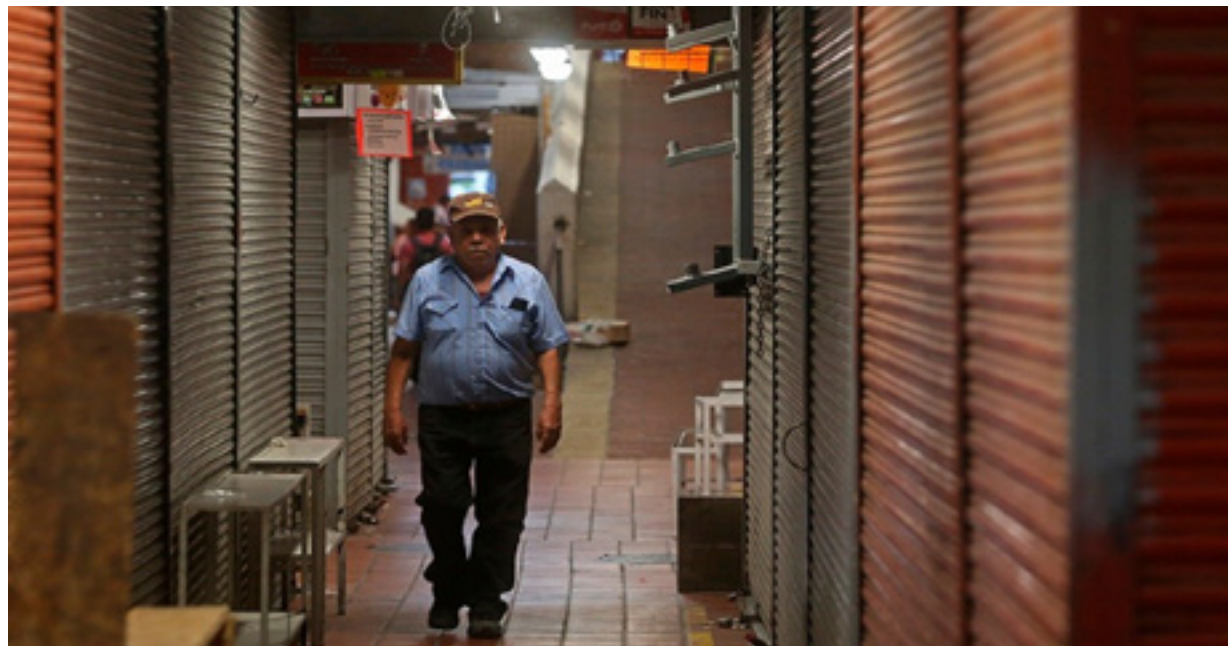
**GRAPH 4. COMPANIES THAT IMPLEMENTED A TECHNICAL STOPPAGE OR TEMPORARY CLOSURE  
AND THE IMPACT ON INCOME BY DAYS ELAPSED**



Source: Prepared by the author with information from ECOVID-IE.

For its part, the evidence shows us that by type of activity the differences are minimal between the essential and the non-essential –a totally different case when analyzing by company size–, whether as a proportion of the total or due to the impact that has had COVID-19 on them, as shown in the following table.

Image: In <https://www.eleconomista.com.mx/estados/Negocios-de-Jalis>



**TABLE 1. MAIN IMPACTS ON BUSINESSES BY TYPE OF ACTIVITY\* (%)**

TYPE OF ACTIVITIES	TOTAL OF COMPANIES WITH SOME TYPE OF ILL EFFECT	REDUCTION OF THE TOTAL AMOUNT OF SALARIES AND / OR STAFF BENEFITS		SHORTAGE OF SUPPLIES, RAW MATERIALS, FINISHED GOODS, OR MATERIALS ACQUIRED FOR RESALE		DECREASE IN INCOME		THE DECREASE IN DEMAND AND CANCELLATION OF ORDERS		LOWER AVAILABILITY OF CASH FLOW	
		YES	THE AVERAGE PERCENTAGE OF VARIATION	YES	THE AVERAGE PERCENTAGE OF VARIATION	YES	THE AVERAGE PERCENTAGE OF VARIATION	YES	THE AVERAGE PERCENTAGE OF VARIATION	YES	THE AVERAGE PERCENTAGE OF VARIATION
TOTAL	93	18	50	32	44	85	56	68	55	43	56
ESSENTIAL ACTIVITIES	93	17	48	33	41	85	54	67	52	41	52
NON- ESSENTIAL ACTIVITIES	94	19	52	30	47	86	59	68	57	44	59

Source: In-house elaboration with information from ECOVID-IE. \*Figures are rounded to integers.

## THE EXPECTATIONS OF SMES IN MEXICO

At the time of carrying out this survey, other studies have been prepared at the international level that may well enrich the analysis, such as the COVID-19 International Small Business Study<sup>6</sup>, which reveals that 47% of Small and medium-sized enterprises (SMEs) in Mexico, has a probability of bankruptcy greater than 50% in the next six months, or what is equal to 60,283 SMEs<sup>7</sup>. The aforementioned study yields three other results of great importance, such as:

1. 53% of SMEs in Mexico has laid off at least one employee due to the health crisis, compared to 55% of companies of the same size in Latin America.
2. 65% of SMEs in our country think that they will have to lay off an employee in the next 60 days, three percentage points more than the rest of Latin America.
3. 80% of these companies think that their business will fully recover in the next two years, only one percentage point above that declared by SMEs in the rest of the region, but 9% higher than the expectations of SMEs in the United States.

<sup>6</sup> <https://tinyurl.com/yx8u69xr>.

<sup>7</sup> <https://tinyurl.com/y4489hrb>.

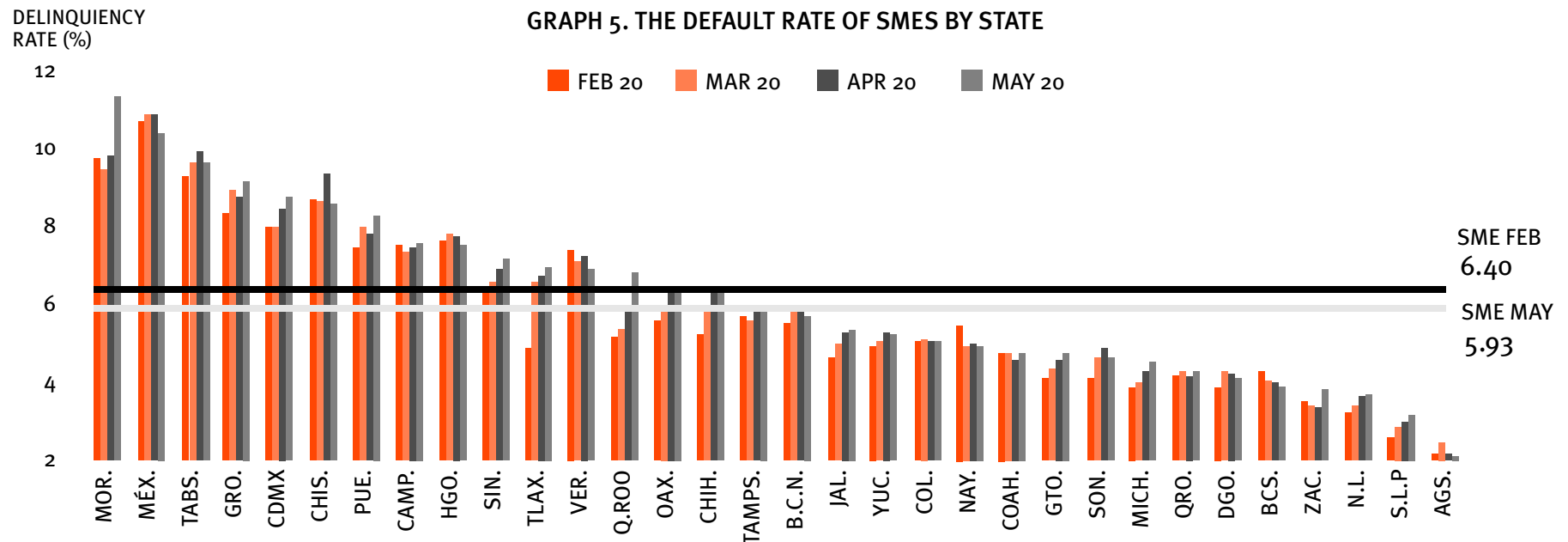


Image: in <https://canalc.com.ar/advienten-que-20-mil-comercios-corren-peligro-de-cierre/>

## ECONOMIC CRISIS, BANKRUPTCY AND ITS IMPLICATIONS FOR THE FINANCIAL SYSTEM

The economic crisis reveals one of the great problems of small businesses, the high dependence of total income on constant cash flow. Such income is destined to the payment of salaries, suppliers, and credits, mostly. So, the effects of the drop in demand and the consequent decrease in income have led to an increase in the overdue portfolio, especially for

SMEs, which have a higher delinquency rate, which is also constantly growing. As of May, the overdue portfolio amounts to 27.2 billion pesos, which implies that, in the case of SMEs, 6.4 pesos out of 100 are not paid at the time of maturity, but things get worse depending on the state.



Source: In-house elaboration with information from the CNBV.



By state, the cases that stand out for being above the national average and also maintaining an upward trend are Morelos, Guerrero, CDMX, Puebla, Sinaloa, Tlaxcala, and Quintana Roo. However, the State of Mexico continues to be concerning for being one of the states whose SMEs accumulate a high amount of debt compared to the total, together with the previous ones.

## FINAL COMMENTS

The Mexican economy faces various challenges, especially the companies related to the economic sectors most affected by the health crisis and those of smaller size. Faced with the postponement of generalized openings of subnational economies, the scarce use of acceptance of different means of payment other than cash, and the limited use of different marketing channels, growth and economic recovery after a phase of confinement is restricted.

On the other hand, these conditions limit the liquidity of the MSMEs as they face an unprecedented reduction in demand, which directly affects their current income. This in turn reduces the availability of

resources to meet their liabilities. The foregoing is generating a vicious cycle of reduction in demand, decreased income, and cutbacks in personnel, and the non-payment of debt.

The figures provided by the Economic Commission for Latin America and the Caribbean (ECLAC), where it is mentioned that around 500,000 companies are closing, are not far from what is stated here; however, a difference will have to be made between partial and permanent closures. Permanent closures are an extremely serious symptom of the weakness of the economic structure in our country, and circumstantial and contextual factors are undermining this condition even more. The outlook is that the number of permanent company closures will exceed those 500 thousand closures. Companies face a race against time, as they face amortizations to be due, suppliers and wages to pay, and families to feed.

In addition, the decrease in the number of businesses in Mexico may have serious effects on the growth track in the medium and long term, and affect the potential GDP of our country.

For its part, the first measurements on the matter at the international level indicate that Italy reported a confirmed closing of businesses of 7.2%, and between confirmed closings and those that are assumed to be permanently closed, the figure rises to 18.3%<sup>1</sup>. It should be remembered that Mexico is the fourth most affected economy in the world at an annual rate -only after Spain, the United Kingdom, and France-, Italy occupies fifth place.

On May 7, 2020, the President of the Republic said: “If there is a company bankruptcy... then let it be the businessman who assumes responsibility ...”. Indeed, 93% of companies in Mexico have not received any type of support from the government in any of its three orders<sup>2</sup> and at least 24% are on the verge of collapse.

**On May 7, 2020, the President of the Republic said: “If there is a bankruptcy of a company ... then let it be the employer who assumes responsibility ...”.**

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<sup>1</sup> <https://tinyurl.com/y6bpxkuk>.

<sup>2</sup> It is worth mentioning that a 0.9% of the companies have received assistance from some chambers and business organizations or other sources.



GOBIERNO DE  
MÉXICO

Indeed, 93% of companies in Mexico have not received any type of support from the government in any of its three orders and at least 24% are on the verge of collapse.

*Image:* The President at his press conference / Omar Franco en <https://www.milenio.com/politica/los-temas-de-amlo-en-la-mañanera-de-hoy-7-de-mayo>.





# EMERGENCY IN THE EDUCATION SECTOR

*A program  
without vital signs*



# EMERGENCY IN THE EDUCATION SECTOR

## A program without vital signs



### SYNTHESIS

Mexican education has prevailed in a constant transition environment and lately its evolution has been affected by the sanitary contingency of COVID-19. The pandemic implied, among other measures, the decision to close the schools and traverse to different modes of distance education to stop the spread of the virus. Management of the pandemic in matters of education has had issues ranging from operational to clear follow up on objectives and has forced the integration of immediate actions to satisfy the demands

of the students, teachers, and the whole educational system as an overall ensemble in light of the challenge of confinement.

The main inconsistency in the Sectoral Education Program (PSE for its acronym in Spanish) 2020-2024 is that completely ignores the sanitary crisis, it does not include the educational needs pertaining education required by “the new normalcy”, and much less propounds mechanisms for the return to on-site classes

once the sanitary contingency is controlled. In other words, it doesn't present proposals on the effects of COVID-19 in the short, medium, or long term. The PSE goes from being a program that should be oriented towards the primary objectives in education appealing for educational fairness and excellence, to become an isolated document, unconnected, and obsolete in the implementation of new educational strategies. In the face of a landscape devoid of planning and efficient answers, two coherent efforts are required from a wide number of performers to contain education inequality, school attrition, and the enlargement of the educational schisms of millions of students in our country.

## **DISASSOCIATION, DECONTEXTUALIZATION, AND OBSOLESCENCE PSE 2020-24**

In the middle of constraints like confinement, increased caution in personal hygiene, and health, the Sectoral Program of Education (PSE) 2020-2024<sup>1</sup> was published.<sup>1</sup> This program, by mandate of the Planning Law, should have been delivered and articulated

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<sup>1</sup> DOF (Official Journal of the Federation, for its acronym in Spanish) dated July 6th 2020: <https://tinyurl.com/SVR2pse2020>.

ed immediately with the National Development Plan 2019-2024 (PND for its acronym in Spanish)<sup>2</sup> published on July 12th, 2019.

Without a ruling strategy that sets and guides its actions, the National Education System (SEN for its acronym in Spanish) has had to traverse the traditional on-site teaching model, to an online model. With a lag of more than 12 months since the PND was published, the PSE does not consider a sequence of politics and actions with the plan, and outright ignores the national context around the COVID-19 pandemic. The PSE is a document disassociated from the PND and does not propound solutions in the short term, much less in the medium and long one.

To illustrate the disassociation that exists on one side from the elements of the PND with the PSE on the educational field, illustration 1 elaborates on the elements posed by each document. This comparison allows for the inference that, albeit no educational system in the world was ready for a disaster magnitude pandemic, in Mexico the ruling documents of educational politics do not consider all or even the best strategies to face a crisis with unique dimensions in the country nor the world. In

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<sup>2</sup> DOF dated July 12th 2019: <https://tinyurl.com/SVR2ND2019>.



spite that the Educational Authority (AE for its acronym in Spanish) is trying to adjust and adapt to the current juncture, is evident that without the backing of a founding axis on its planning, these answers will have improvised and isolated results.

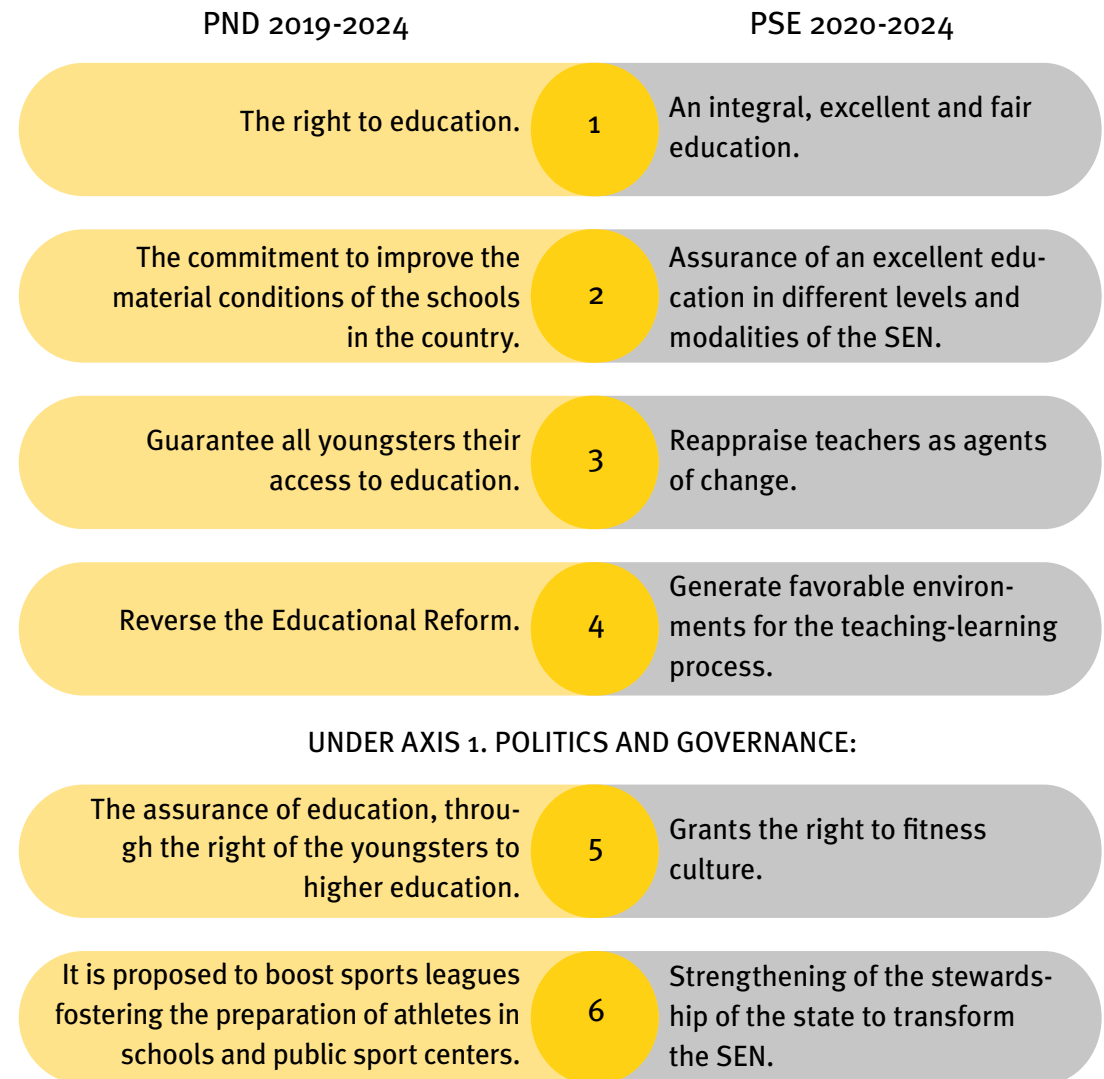
Considering that the goal of the PND is to establish and direct the primary objectives of the sexennium and that the PSE's goal is to define the routes in which the educational sector should transit to accomplish those objectives, it would be expected that both documents should have a strong bond in matters of the educational field. Never the less, with a lag of 20 months since the entry of the current government and under an unfortunate scenario in public health, the lack of a unique strategy with which the AE can perform and manage the education of at least 28 millions<sup>3</sup> of children, and adolescents that attend basic education in the country, is exposed.

Likewise, and even though it is stipulated on the PND 2019-2024, pertaining to the “Grant of the right of youngsters to higher education through social programs”,<sup>4</sup> the enrolled population has declined cycle

<sup>3</sup> General outline-Schooled- from the National Educational System. Total school enrollment. INEGI (National Institute of Statistics and Geography, for its acronym in Spanish): <https://tinyurl.com/y3k26gt4>.

<sup>4</sup> Like “Universidades para el bienestar” [Universities for the

FIGURE 1. DISASSOCIATION BETWEEN EDUCATIONAL PROPOSALS PND - PSE



Source: In-house elaboration with information from the PND 2019 - 2024 and PSE 2020 - 2024.

by cycle. In other words, the government measures to try to avoid the exclusion and school attrition of thousands of youngsters have been counterproductive. Since the beginning of this administration, the population that was studying in a school modality<sup>5</sup> went from a little more of 50.818 millions of students in the school cycle of 2017-2018 to 50.761 million in the school cycle of 2018-2019 and finally to 50.681 million in the school cycle of 2019-2020. Meaning, since before the arrival of the pandemic 80,162 children and youngsters between 3 to 25 years of age did not enroll from one cycle to the other, in spite of the government efforts.

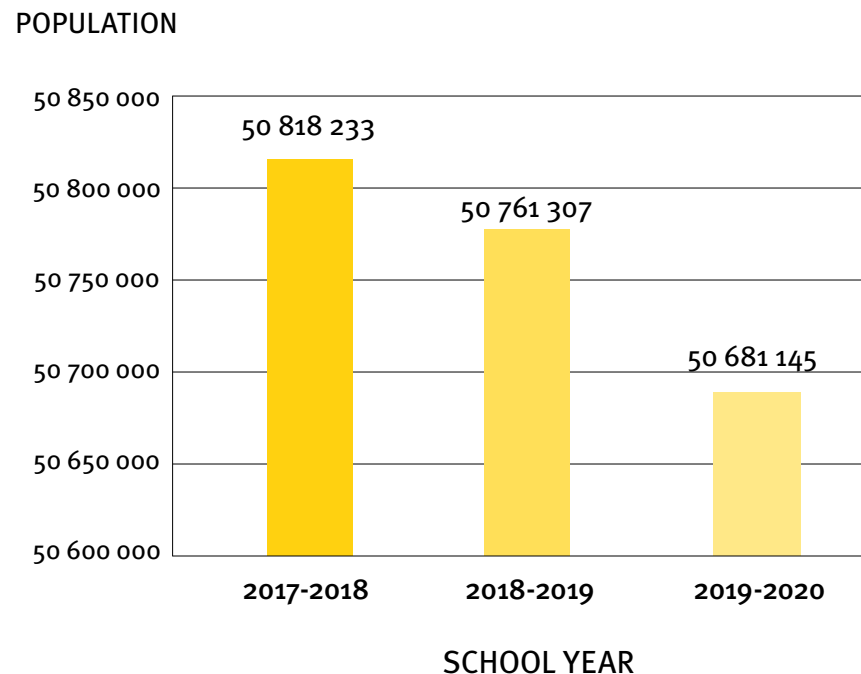
In this respect, school attrition, a result of the digital exclusion intensified by the effects of the pandemic in the educational field, which can become a big problem in the medium and long term. Just in the school cycle of 2018-2019, the school attrition rate was 12.9% in the high school level, whilst for the school cycle, 2020-2021 is foreseen to be 17.5%<sup>6</sup>. There is an absence of educational policies that have proposals to contain this issue.

wellbeing] and “Jóvenes construyendo el futuro” [Youngsters building the future] Plan Nacional de Desarrollo 2019-2020- DOF p. 19: <https://tinyurl.com/SVR2PND2019>.

<sup>5</sup> Secretaría de Educación Pública. SEP. Available in: <https://tinyurl.com/y6xhphsj>.

<sup>6</sup> School attrition rate INEGI: <https://tinyurl.com/y5uce9cu>.

**GRAPH 1. EVOLUTION OF SCHOOLED POPULATION  
FROM 3 TO 25 YEARS OF AGE BY SCHOOL CYCLE**



Source: In-house elaboration with SEP (Secretariat of Public Education for its acronym in Spanish) data.

## LIMITATIONS IN THE EDUCATIONAL FIELD

One of the most relevant constraints that override the effective and correct execution of the PSE is, on the first place, the lack of congruity with the current conditions of the pandemic; and on the second place the lack of a budgetary framework, even though there was an increase on the budget for the fiscal year of 2020 of 24 thousand millions of pesos for the Secretariat of Public Education (SEP) compared to 2019,<sup>7</sup> this amount does not consider enhancements

<sup>7</sup> According to the Draft Expenditure Budget of the federation branch 11 for the Secretariat of Education, for 2020 \$326,286.7 millions of pesos are expected, in comparison with the \$300,140.2 millions of pesos budgeted for 2019.

or reinforcement of policies towards the needs of the SEN, but it will shelter only four programs related to the bestowal of scholarships:

1. Programa de Becas de Educación Básica para el Bienestar Benito Juárez [Elementary education scholarship program for the wellbeing Benito Juárez]. (\$29,968 millions of pesos).
2. Programa de Becas Elisa Acuña [Scholarship program Elisa Acuña]. (\$4,157 millions of pesos).

For 2021 there is a raise on the budget of 3.6% in proportion to 2020, which ascends to \$338.046.9 millions of pesos, according to what was published by the Secretariat of Finance and Public Credit (SHCP for its acronym in Spanish). <https://tinyurl.com/yysmnzzz>.



*Image:* Teacher attending students / Classroom during pandemic, San Luis Acatlán, municipality of Me'phaa. Photos: Courtesy Teacher Aquilino Martínez Solano en <https://piedepagina.mx/la-pobreza-de-la-montana-de-guerrero-impide-las-clases-a-distancia-durante-la-pandemia/>

3. Universidades para el Bienestar Benito Juárez García [Universities for the wellbeing Benito Juárez García] (\$978 millions of pesos).
4. Beca Universal para Estudiantes de Educación Media Superior Benito Juárez [Universal scholarship for students in high school or higher levels Benito Juárez](\$28,222 millions of pesos).

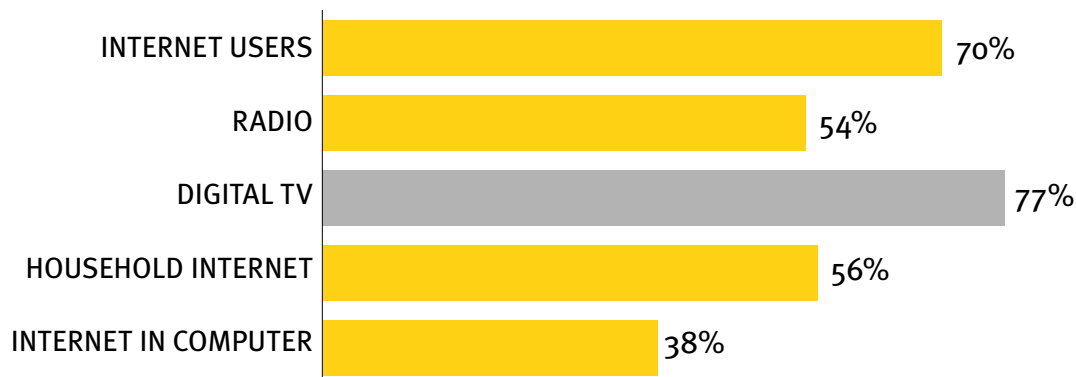
In third place, the frailty caused by the null bond between the PND and PSE is found. Disassociated proposals are presented, leaving aside the real needs of an education system threatened by delays in access to health and technological services, gaps in poverty, and educational quality.

One of these urgent needs refers to the compliance of the human right of internet access in all sectors of the school population. Similarly, it's obvious that enhancing this internet access with effective management and use of the digital media by students and teachers, especially to keep optimal performance in the school cycle of 2020-2021 is needed.

Under this framework, internet coverage as well as access to digital media become one of the most important alerts in this new government. With an overview in which since 2019 the National Survey on Availability and Use of Information Technologies in Households

(ENDUTIH for its acronym in Spanish) revealed that from the 115,065,309 considered individuals, only 70% are users of the internet, 54% are users with access to radio, 38% has internet on their computer and 77% have open digital television coverage. Likewise, as mentioned in the previous report,<sup>8</sup> on the level of households for the same year, only 44.3% own one computer and 56.4% have an internet connection. If the statement given by the educational authorities promotes the use of open television as an educational resource, it is important to emphasize that 23% of the families in Mexico don't have access to Open Digital

GRAPH 2. PERCENTAGE OF ACCES AND USE OF INFORMATION TECHNOLOGIES  
IN HOUSEHOLDS, 2019



Source: In-house elaboration with information from INEGI.

<sup>8</sup> *La pandemia en México. Dimensión de la tragedia*, [The pandemic in Mexico. The scope of the tragedy] July 2019. p.92.



television (TDA for its acronym in Spanish). Albeit a low percentage, there is no doubt it could hinder a little more than 6 million students from using this resource.

With this evidence we can deduce, on one side, that is very likely that many of these students are not qualified to continue with their education since at least 74.99<sup>9</sup> millions of users do not have access to digital media in 2019, including the internet (on the household or in the computer), digital television and radio. On the other side, school attrition due to digital exclusion is already a major issue. The school attrition rate in the school cycle of 2020-2021, according to data from INEGO, could reach 17.5%,<sup>10</sup> both elements becoming a challenge for the recently implemented distance education strategy.

**23% of Mexican families do not have access to Digital Television. Even though the percentage is not high, it could hinder a little more than 6 million students from using this resource.**

<sup>9</sup> ENDUTIH, 2019.

<sup>10</sup> School attrition rate INEGI: <https://tinyurl.com/y5uce9cu>



*Image:* There are communities in the country where there is no television nor internet connection. Photo: Courtesy at <https://www.infobae.com/america/mexico/2020/04/21/aprende-en-casa-el-fallido-proyecto-de-la-educacion-publica-ante-el-covid-19/>

## THE URGENT NEED TO PROVIDE EDUCATIONAL RESULTS

It is important to recognize that even though the Mexican authorities are doing everything they can to rescue the educational dynamic in Mexico, the learning of children is still threatened by events like social exclusion and educational gaps, now deepened by the COVID-19 pandemic.

The challenges that the SEN faces with the start of the cycle the past August 24th, which is presented in

a long-distance modality with the program “Aprende en casa II” [Learn at home II], are coupled with severe inconsistencies and vagueness around the roles the different educational performers play. Nevertheless, despite the push towards digital media by the educational community that the pandemic brought, in general, there isn’t a clear path pertaining to the role of the teachers, principals, and supervisors about the television content and teaching materials.

Likewise, there is uncertainty on the reliability of the learning evaluations since this strategy, which determines the progress or admission to new levels of educational institutions, is not clear on its procedures of implementation. By having to choose components to postpone, dismiss, or provide long-distance tests, earnest worries arise about fairness, especially when access to education becomes variable.<sup>11</sup>

The setting we face in the matter of the validation of learning, taking into account the international evaluations of students, is a challenge for the Mexican case. In reading, math, and science we have obtained a below-average score from the OCDE. Only 1% of the students reach a high level of competence in at least one area (far below the average of the OCDE: 16%),

<sup>11</sup> UNESCO COVID-19 Education Response. Education Sector issue notes. Available at: <https://tinyurl.com/y5vm7eyw>.

## LOW LEVEL OF COMPETENCE IN READING AND MATHEMATICS (BELOW OCDE AVERAGE)



READING  
45% STUDENTS BELOW AVERAGE



MATHEMATICS  
56% STUDENTS BELOW AVERAGE

45% of students presented a low level of competence in reading (average from OCDE: 23%) and up to 56% of the students obtained a low level of competency in mathematics (average from OCDE: 24%).<sup>12</sup>

Accordingly, the risk to obtain deficient learning, as part of the COVID-19 pandemic, is higher. Foregoing, the digital exclusion, the limited support for teachers pertaining training on TIC (Information and communication technology, for its acronym in Spanish), the issue of school attrition and deficient performance

<sup>12</sup>Program for International Student Assessment (PISA) 2018-Results. Available at: <https://tinyurl.com/yxdho8hy>.

pertaining educational results, will be added to the list of problems of the already stressed and tattered SEN. For this reason, coherence in the educational planning and the actions the government is performing in this new and confusing state of education during the pandemic is urgent. Only actions like that could prevent millions of students from becoming members of a lost generation.

## ¿WHAT IS GOING TO HAPPEN NOW?

Some recommendations by international bodies (ONU [UN, for its acronym in Spanish], PNUD [United Nations Development Programme, for its acronym in Spanish]),<sup>13</sup> suggest to all countries to prioritize the reopening of schools as soon as they have local transmission of COVID-19 under control, otherwise prolonged closing of studies centers could spawn a “generational catastrophe”. Table 1 elaborates on the approaches for the reshaping of functional programs considering the effects of COVID-19.

Albeit these recommendations of educational policies are exclusively focused on the pandemic peri-





<sup>13</sup>ONU: <https://tinyurl.com/y46zyogb>.



*Image: Poverty and lack of technology discourage distance learning Photo: Julio César Martínez/OEM-Infomex en <https://julioastillero.com/video-pobreza-y-carencias-tecnologicas-desmotivan-el-regreso-a-clases-a-distancia/>*



TABLE 1. MAIN RECOMMENDATIONS FROM THE EDUCATIONAL POLICIES AND COVID-19 REPORT, UNITED NATIONS

	FIRST	SECOND	THIRD	FOURTH
PROPOSAL	<p>Reopen schools.</p> 	<p>Prioritize education in financing decisions.</p> 	<p>Guide actions towards those harder to reach.</p> 	<p>Build today the future of education.</p> 
RECOMMENDATION	<p>Recommendation:</p> <p>The reopening of schools and learning centers and the return of students to schools considering a balance between health risks and educational risks.</p>	<p>Recommendation:</p> <p>Postulates the need for arranging to fund for education, unsatisfied by countries of medium incomes and low in education.</p> <p>* They propose protecting and raising the budgets for education as well as join international efforts to assist development.</p>	<p>Recommendation:</p> <p>About the integration of mostly minority groups that have a higher risk: people in crisis and emergencies, displaced and/or with disabilities.</p> <p>* Said efforts should be sensitive towards the inequalities faced by children and youngsters managing to close the digital gap.</p>	<p>Recommendation:</p> <p>They propose to move towards systems that impact quality education for everyone</p>

Source: In-house elaboration with UN information, 2020.

od, in the Mexican case they have been completely disregarded at least on those pertaining budgetary raise, considering vulnerable groups and consolidations of more and better adapted educational systems towards their needs during and post-pandemic. In these three cases, the federal government has ignored the proposals of international bodies as well as national experts on the field of implementation of educational policies.

On the same guideline, the effects of the sanitary crisis by coronavirus also threaten human development on a global level. Education, health, and living conditions are elements that could roll back for the first time this year, since the introduction of the concept in 1990.<sup>14</sup> Here lies the importance of adding efforts from experts on the field, from national educational authorities, state governments, from performers of the SEN and the international community, with the goal to start to revert the imminent havoc of this scenario.

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<sup>14</sup>nk to 'Human Development Perspectives COVID-19: Assessing the impact, envisioning the recovery: <https://tinyurl.com/y2k4jk3c>.

## THESE ARE TIMES FOR MORE AND BETTER EDUCATIONAL PROPOSALS

In response, some countries have drafted frameworks that in practice could help with the educational endeavor. For example, the Chicago Teachers Union estimated in July that once the situation was controlled the reopening of public schools in the city safely could cost between \$450 million and \$1.7 thousand million dollars.<sup>15</sup>

Likewise, the US Senate drafted a bill that could provide \$70 thousand million dollars to schools with the aim to open schools safely, or even provide the necessary technology to low-income families. In Ecuador,<sup>16</sup> a groundbreaking program started where the return to school will be given progressively in rural sectors where there are no cases of the virus.

In Mexico, according to SEP's Joint Statement No. 7 dated July 17th, 2020, its instructed that the return to school will be given when the epidemiological traffic light is on color Green; meaning, only when it is safe for the school community.<sup>17</sup> None the less, the Mexi-

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<sup>15</sup> <https://tinyurl.com/y4w2x54y>.

<sup>16</sup><https://tinyurl.com/Ecu2oedu>

<sup>17</sup> Comunicado Conjunto No.7. [SEP's Joint Statement No. 7 da-

can strategy has been to work through the so-called “republican austerity”, without any hint towards budgetary adjustments to raise the expenditure on education. The stance of the SHCP refers that there will be no availability for emergency funds, suggesting that in 2021 Mexico will have to face the worst crisis with a fiscal package with more constraints than in previous years.<sup>18</sup> Likewise, Mexico needed calculations for the start of activities under the traffic light framework proposed by the government are not being done. There are no signs of policies that plan or foresee what kind of “new educational normality” will be required for every one of the social contexts in the country.

**There are no signs of policies that plan or foresee what kind of “new educational normality” will be required for every one of the social contexts in the country.**

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ted July 17th 2020]: <https://tinyurl.com/y67b5ljb>.

<sup>18</sup>Article: INVESTING.com “SHCP: México no cuenta con fondos para crisis 2021” [“SHCP: Mexico doesn’t count with funds for the 2021 crisis”]. Recovered from: <https://tinyurl.com/yxfchv23>.

## FINAL REMARKS

The disruption caused by COVID-19 in the family lives affects amongst many other elements the social, political, and economical dynamics. In this regard, the pandemic has extended its toll on the educational systems of Mexico and the rest of the world.

The little consistency in the educational field has been exposed since the formulation of the PSE 2020-2024, that on one hand ignores completely the sanitary crises by not including the needs of the “new normalcy”. On the other hand, presents a lack of relationship with the Plan Nacional de Desarrollo (2019-2024), without aggregating innovative proposals in the educational field, and finally, does not include any approach towards mechanisms for the safe comeback to school classes on a safe manner, once the sanitary situation is controlled. The PSE went from being a ruling program in the educational field to an otiose, disjointed, and obsolete document.

The lag and the incompatibility that the PSE presents in this moment of crisis, without a doubt, affect the performance that they could have on the SEN. Without a clear orientation of their action axis, the Mexican government has had to improvise and demonstrated

the few tools that it has to face the worst crisis in education in years. Albeit there was no way to predict the arrival of the virus, and the effects it would bring in hundreds of sectors; issues like budgeting, anticipated planning of education on the middle to long term, or the level of attention that the most vulnerable communities should've had, could have been prioritized.

Even though it is important to recognize that the AE has acted under the criteria to minimize the impacts on the educational sector, it is also fair to recognize that this effort has been insufficient, and has not settled the grounds for a solid and well-reasoned stance to face the current crisis. It could have been thought given the stated social vocation of the current government, that any attempt to reach on-site to the farthest communities with scarce access to information and communication technologies through well-equipped convoys (two or three times per week) would've been made. This type of limitation, imposed by the government itself, has translated to a series of inconsistencies in detriment of the Sistema Educativo Nacional (National Education System).

The implementation of a homogeneous educational model as the one used so far is inevitably going to generate inequity elements in the different types of



communities that exist in the country. Meaning, that when a government that implemented well-delimited policies by sector, region, and other types of communities was more needed, the AE presented a single and irreversible plan that jeopardizes the educational reach and its key performers. Teachers, for example, have not had the possibility to participate proactively in the recently implemented educational model.

The need to reformulate a program attached to a current context in benefit of the vulnerable groups and that considers different educational modes, incorporates all performers on the educational sector and

**TABLE 2. COMPARISON OF EDUCATIONAL ACTIONS IN PRE AND POST-COVID-19 SCENARIOS**

PERFORMERS IN THE EDUCATIONAL SECTOR	PRE-COVID-19 LANDSCAPE (PRESENT ELEMENTS)	POST-COVID-19 LANDSCAPE (BURGEONING NEEDS)
Educational authorities	<p>The elements present before the arrival of the COVID-19 pandemic:</p> <ul style="list-style-type: none"> <li>» Inconsistencies on the development of the PSE</li> <li>» Null relationship between the PSE and the PND</li> <li>» Lack of innovation in the educational field</li> <li>» Budgetary inflexibility (“Republican austerity”)</li> </ul>	<ul style="list-style-type: none"> <li>» The reformulation of an educational program that considers the dictated constraints of the sanitary condition and its effects short, medium, and long term.</li> <li>» The inclusion of proposals to combat school attrition from students as well as teachers from the SEN.</li> <li>» Availability of resources in the interest of tumbling the bankruptcy of private schools and possible collapse of the public sector.</li> </ul>
Teachers	<ul style="list-style-type: none"> <li>» Absence of teacher training programs.</li> <li>» Current performers in educational dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>» Training in the use of information technologies, the use of digital platforms to follow up on the learning process.</li> <li>» Sense of belonging due to their role as agents of change in the new educational model.</li> <li>» Transparency in the actions to apply that rule the educational authorities.</li> </ul>
Students	<ul style="list-style-type: none"> <li>» Growing school attrition.</li> <li>» Low scores in skills and competencies of reading and mathematics.</li> </ul>	<ul style="list-style-type: none"> <li>» Consider a program including the student that do not have digital media (Television, radio, internet in the household and/or computer).</li> </ul>
Parents	<ul style="list-style-type: none"> <li>» Indirect engagement inside the learning process.</li> </ul>	<ul style="list-style-type: none"> <li>» Constant communication and coordination among teachers, students, and parents that lead to the validation of learning.</li> </ul>

Source: Vital Signals in-house elaboration.

assures fairness; turns out, today more than ever, essential. Hence, Table 2 elaborates some needs resulting from the analysis of the educational sector in the pre and post COVID-19 scenarios.

This concatenation of bad governmental decisions has resulted in the loss of a valuable opportunity to reconstruct the SEN, already very distressed and obsolete in many features. This was the moment to adjust the course and to structure a new educational system, considering not only the abolishment of the immediate effects of a pandemic but a complete reformulation of the educational programs.

With a landscape as the ones living in the middle of the pandemic, the complexity to solve all these problems inside the educational sector is conceited. Never the less, the responsibility that the AE has to anticipate actions that will take place once the crisis starts to be averted cannot be exempt. Part of that commitment should be reflected in the clarification of goals and objectives as much in the PND as well as the PSE which are not going to be able to fulfill timely and due form during this administration.

Facing the regrettable consequences of an unimaginable magnitude pandemic and one that will determine the future of learning in our children and

youngsters; the need to have a real platform for educational planning in the medium and long term and not just decisions that propitiate political opportunism are exposed. Likewise, it should allow performers, such as parents and the very students to act and collaborate in the implementation or encouragement of studying habits and to pay attention to efforts on the teacher's education to face the challenges from the XXI century inside and outside of the pandemic.







# GOVERNMENT BLINDNESS TO SOCIAL PROGRAMS

*What we cannot see from  
the 4T project*



# GOVERNMENT BLINDNESS TO SOCIAL PROGRAMS

## What we cannot see from the 4T project



### SYNTHESIS

The nature of social programs tends to concentrate on aspects related to people's wellness, where the main goal is that they reach optimum levels of life quality. It tries to ensure effective access to the rights related to availability, quality, and access to medical service, education, solid institutions, zero hungry programs, and the end of poverty to mention some. However, the scenario framing the social programs in Mexico places in evidence the priority that social politics has in the gov-

ernment's agenda by showing a lack of solid structures institutionally, budgeting, and, above all, regulations that guarantee meeting objectives efficiently, objectively, equitably and, transparently.

Besides the economic-sanitary problematic that the country is facing is evident that the alternative that the government has been following to support the vulnerable groups has been limited. Since the launching of the social programs of the current government, the privi-

leged groups had been the ones serving the elderly citizens and the young population without working conditions. They have been left unattended to several priority groups, such as the early childhood groups. In the same way, it has been evident that the deployment of beneficiaries has attended different criteria than the ones indicated by the dynamic of poverty, let us see the political-proselytism paths under which social policy has been governed.

On the other hand, the discursive rhetoric used by the government refers to the distancing of the social politics implemented by previous administrations, while its practice had not been so different. It is about the same governmental welfare format, without any dramatic changes in the most ambitious reforms that stand for the most vulnerable groups. Without any clarity on its structures and with a strategy that lacks solid foundations, the implementation of a package of social programs ruled by “the census of prosperity”, began. This strategy differs from the ones implemented by previous administrations since it counts on a group (political and not technical) that has determined the entrance as well as the permanence of the beneficiaries of the different programs.



*Image:* people with minimum resources do not receive any support from the government social projects. Photo: Cuartoscuro en <https://tinyurl.com/y93hvfpp>.

**Without any clarity on its structures and with a strategy that lacks solid foundations, the implementation of a package of social programs ruled by “the census of prosperity”, began.**

## HOW TO VISUALIZE POVERTY AND SOCIAL ASSISTANCE IN MEXICO?

The impacts of any kind of social program with effective and efficient foundations reflect on people's social standards. However, it is not the only element that determines the social wealth; it is also the behavior of economic activity and government management that has a tight relationship with social development.

Since before the COVID-19 virus effect arrived in our country, the operative issues with social programs were evident. Effects that had been substantial at economic, political and, social levels and since then threatened to severely affect the levels of poverty and social wealth of the Mexicans.

In this sense, the sum of the impact that has occurred over the last years, plus those resented over the last months, has been reflected in the indicators of labor poverty. The lack of action in social politics as a response to the effects of COVID-19 has been made evident mainly by this indicator which, for April, reported 53.1%, also a 54.9% and 48.1% for May and June, respectively. Therefore, over half of the population reported a labor income lower than the weighted av-

erage of extreme poverty<sup>1</sup> lines by income (rural and urban) for 2T2020.<sup>2</sup>

The overall picture of the labor market is reflected in the Labor Tendency Index of Poverty (ITLP for its acronym in Spanish) and, at the same time, allows us to visualize the behavior of the population with insufficient labor income to acquire the food basket.<sup>3</sup> We can now notice that from the first trimester of 2019 and until the first trimester of 2020, the number of people that didn't have enough income to acquire the basic food basket decreased, going over the index of 0.996 in 2T2019 to 0.9119 in 1T2020.

However, the scourges of COVID were reflected in the number of total remunerations of the busy people, the same that presented a drastic fall of -19.1% from

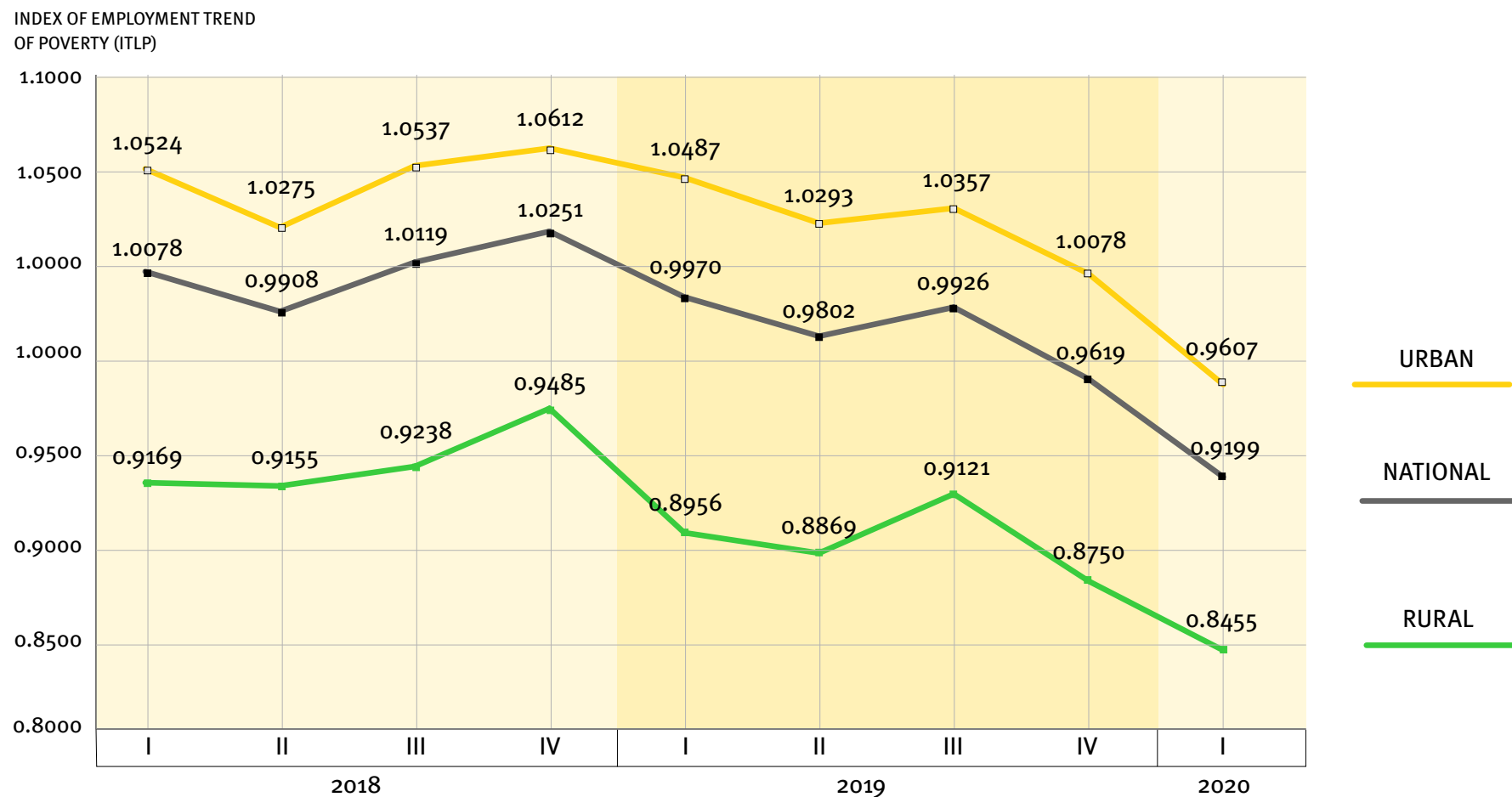
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1 Extreme poverty: a person who finds itself in extreme poverty, suffers three or more deprivations out of six possible within the index of labor income, besides, it finds itself under the line of minimum wellness. CONEVAL glossary: <https://tinyurl.com/yxlvgt4a>.

2 Nomenclature used to indicate the second trimester of 2020 (2T2020).

3 If the ITLP increases, the population of insufficient labor income to acquire the basic food basket increases and vice versa.

GRAPH 1. THE EVOLUTION OF ITLP (INDEX OF THE EMPLOYMENT TREND OF POVERTY (NATIONAL, URBAN AND RURAL))



Source: In-house elaboration with CONEVAL (Council for Evaluation of Social Development Policy for its acronym in Spanish) data.

the first to the second trimester of 2020. This phenomenon had the same behavior as the labor purchasing power displaying a fall of  $-20.5\%$  from one trimester to the other.

On this perspective, the rigidity that the social programs are under, added to the lack of emergency policies to handle the effects of COVID-19 to demolish or counteract the scourges in the poorest groups suggest that the social field management finds itself limited and without tools to face the short-term effects as well as the long-term effects left by the pandemic.

It is understandable to consider that although economic activity in Mexico has declined significantly,<sup>4</sup> social policies have remained intact, leaving those who need them most unprotected. Under this scheme, it is worthy to ask ourselves: How much is proposed in social programs to address needs? And in this sense, how effective has it been so far during the sexennium?

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<sup>4</sup> INEGI (National Institute of Statistics and Geography for its acronym in Spanish) reported a significant drop of  $18.9\%$  in the context of the COVID-19 pandemic.

**The scourges of COVID were reflected in the number of total remunerations of the busy people, the same that presented a drastic fall of  $-19.1\%$  from the first to the second trimester of 2020. This phenomenon had the same behavior as the labor purchasing power displaying a fall of  $-20.5\%$  from one trimester to the other.**

## SOCIAL PROGRAMS IN THE 4T

Among all the standard programs led by the federal government, you can find The Pension for the Well-being of Elderly People, Pension for the Wellbeing of People with Permanent Disabilities, The Young Building the Future, and Sowing Lives, in charge of the welfare secretariat (mostly) which will receive \$189,970 million pesos during the 2021 fiscal year.

However, despite the marginal increase compared with the intended in 2020,<sup>5</sup> the so-called “Republican austerity” stops dependencies from satisfying their multiple needs with the available resources. That precludes the adequate implementation of social programs and limits its performance meeting objectives that, from its formulation, presents a lack of definite diagnosis validated from the problems being addressed.

The social programs were implemented under the Federal Executive promise to impulse the development subject to the mandate by the national development plan (PND for its acronym in Spanish) 2019-2024. Same that retakes in axis 2 of social politics,

<sup>5</sup> In 2020, \$187,554 million pesos were allocated to the Secretariat of Welfare.





TABLE 1. OBJECTIVES AND NUMBER OF SOCIAL PROGRAMS (MILLION PESOS) 1/2

INSTITUTION	PROGRAM	OBJECTIVE	AMOUNT
<b>BIENESTAR</b>			
	The Welfare Program for Elderly Adults	It provides a pension to the elderly indigenous and non-indigenous 65+ adults as a warranty of the social protection right.	122,623 million pesos
	Pension for the Wellbeing of People with Disabilities Program	It provides financial support to people with permanent disabilities to allow access to better life quality.	13,391 million pesos
	Sowing Life	To ensure that agricultural individuals with incomes below the rural welfare line, in rural areas, have sufficient income to make the land productive.	21,198 million pesos
<b>SEP</b>			
	The Benito Juarez National Wellbeing scholarship program	It provides scholarships for school permanence and retention of the students registered in public High schools for either formal schooling or blended learning located in indigenous areas or highly marginalized areas.	7,618 million pesos
	Youth Writing the Future	To grant scholarships for the school permanence and conclusion of the students of the Public Institutions of Superior Education considered with total coverage.	777 million pesos

TABLE 1. OBJECTIVES AND NUMBER OF SOCIAL PROGRAMS (MILLION PESOS) 2/2

INSTITUTION	PROGRAM	OBJECTIVE	AMOUNT
<b>SEDATU</b>			
	National Reconstruction Program	To attend the municipalities affected by the earthquakes, through the promotion of projects and actions for the reconstruction of housing and infrastructure.	2,843 million pesos
	Urban Improvement Program	Contribute to the reduction of urban and social segregation of people living in blocks with medium, high, and very high levels of urban and social segregation in cities of 50,000 inhabitants or more that are part of the National Urban System (SUN for its acronym in Spanish) 2018.	326 million pesos
<b>STPS</b>			
	Youth Building the Future	To provide scholarships, health insurance, and training certificates issued by the work centers to the linked apprentices, promoting productive inclusion.	12,708 million pesos
<b>SE</b>			
	Microcredits for Wellbeing (Tandas for Wellbeing)	To strengthen the productive and entrepreneurial capacities of micro-entrepreneurs who live in marginalized conditions, through support in the form of financing, advice, and training.	240 million pesos

Source: In-house elaboration with information from the welfare secretariat and PEF (Expenditure Budget of the Federation) for the 2020 fiscal year.



*Image:* “The Secretariat of Wellbeing deployed until September 18 thousand 314 census officials in the whole country, who earn a salary of 10 thousand 217 pesos per month.” Photo: Cuartoscuro at <https://www.sinembargo.mx/18-12-2019/3698409>.

nine social programs that were designed under “building a country of wellness” guidelines.

However, the nine programs established on the PND and illustrated in Table 1, meet different objectives that could hardly get visualized as a detonator to decrease social gaps. The design of such programs presents some weaknesses, which CONEVAL itself revealed in the evaluation of the design with fieldwork,<sup>6</sup> which include the social programs 2019-2020.

<sup>6</sup> These evaluations of design with fieldwork 2019-2020 are part of a short and long-term evaluation agenda. Available on: <https://tinyurl.com/y5voyf9r>.

From the beginning, they have not prioritized the vulnerable groups and consider, to a small extent, the impact of this sanitary crisis.

The functionality of such programs is limited to monetary granting (scholarships or resources) they will help the target population at some point but, elements such as program quality, availability of social benefits, or access to the services are being avoided. However, since pretty much the beginning of this administration, the programs had been under scrutiny, immerse into critics due to their way of operation, and their non-existent or inoperable normativity.

## ¿SOCIAL PROGRAMS OR POLITICAL PROSELYTISM?

Since before December 1st, 2018, the so-called “Servants of the Nation” served as a filter inside the government strategy. They had two important functions:

1. They were in charge of verifying the information of the beneficiaries from the main existing social programs in 2018 and
2. They had the direct responsibility of processing the applications of new incorporations to the new social development programs through the “census of prosperity” under the methodological principle “poor people first”.

However, a series of inconsistencies joined the census process highlighting the legal weakness that they operated with, as well as the lack of transparency where the number of beneficiaries suggests electoral dynamics.

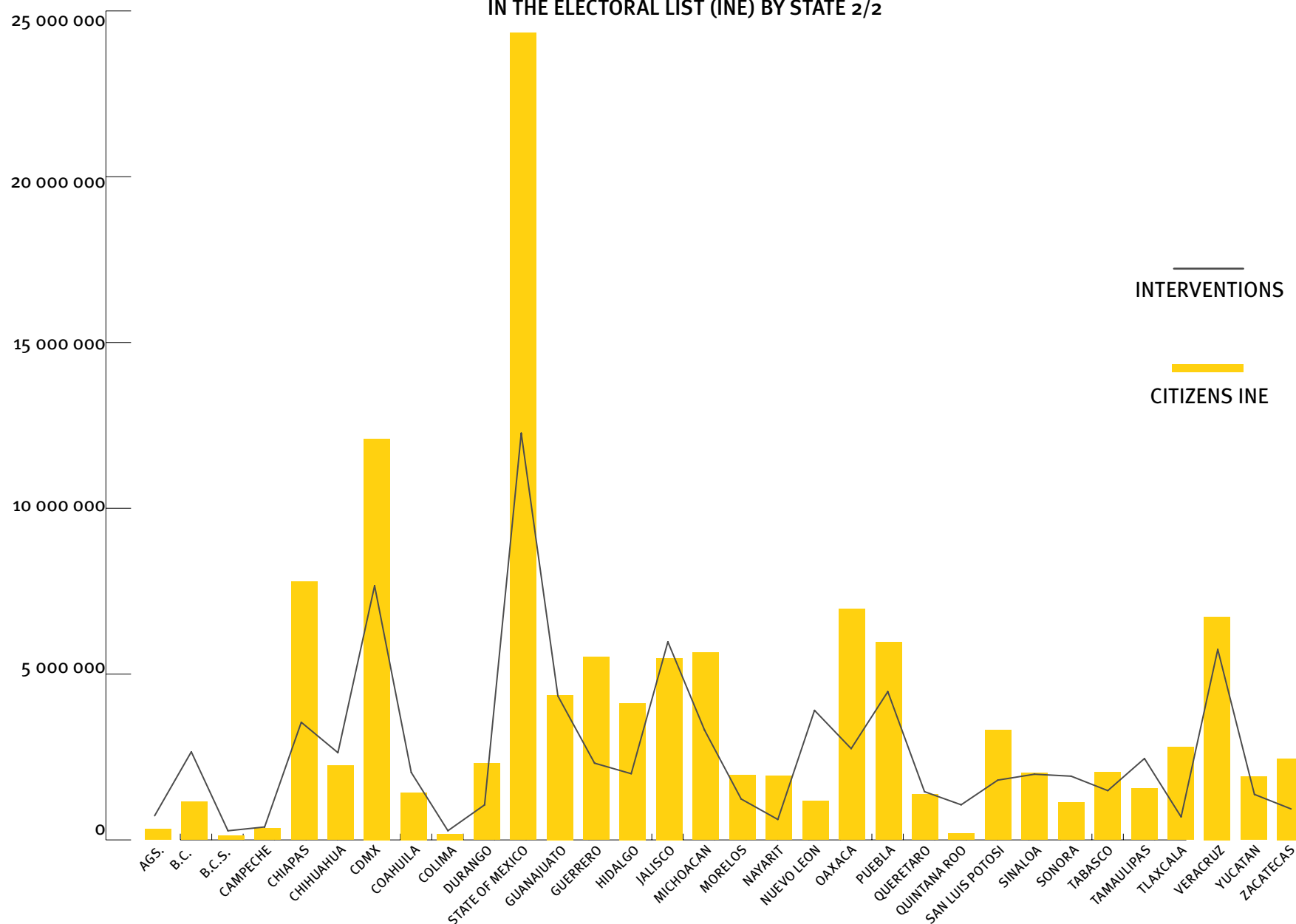
From this perspective, the deploy of the servers of the Nation followed a different guideline to the “poor people first” principle from the census of prosperi-

**TABLE 2. NUMBER OF INTERVENTIONS OF SOCIAL PROGRAMS VS THE NUMBER OF CITIZENS REGISTERED  
IN THE ELECTORAL LIST (INE) BY STATE 1/2**

STATE	CITIZENS INE	INTERVENTIONS	STATE	CITIZENS INE	INTERVENTIONS
Aguascalientes	977 361	917 17	Morelos	1 463 027	1 945 743
Baja California	2 833 232	1 157 887	Nayarit	869 138	1 936 230
B.C.S.	540 744	612 44	Nuevo Leon	4 037 714	1 179 855
Campeche	651 164	995 11	Oaxaca	2 925 860	6 957 173
Chiapas	3 691 020	7 784 704	Puebla	458 0751	5 963 168
Chihuahua	2 807 944	2 241 146	Queretaro	1 676 498	1 378 834
Mexico City	7 655 381	12 096 136	Quintana Roo	1 295 415	861 73
Coahuila	2 234 131	1 428 629	San Luis Potosi	2 011 542	3 304 362
Colima	541 940	593 66	Sinaloa	2 182 900	2 015 165
Durango	1 292 855	2 314 404	Sonora	2 126 114	1 124 062
State of Mexico	12 086 667	24 342 288	Tabasco	1 706 420	2 034 315
Guanajuato	4 455 263	4 368 052	Tamaulipas	2 638 588	1 549 892
Guerrero	2 504 009	5 516 437	Tlaxcala	943 021	2 800 810
Hidalgo	2 197 740	4 121 929	Veracruz	5 805 476	6 728 573
Jalisco	6 026 688	5 482 141	Yucatan	1 597 287	1 899 634
Michoacan	3 465 265	5 648 478	Zacatecas	1 174 730	2 455 373
			<b>TOTAL</b>	<b>90 995 885</b>	<b>123,755,536.5</b>

Source: In-house elaboration with information from PUB (Registration of Beneficiaries for its acronym in Spanish).

**GRAPH 2. NUMBER OF INTERVENTIONS OF SOCIAL PROGRAMS VS THE NUMBER OF CITIZENS REGISTERED  
IN THE ELECTORAL LIST (INE) BY STATE 2/2**



Source: In-house elaboration with information from PUB (Registration of Beneficiaries for its acronym in Spanish).

ty, since the number of interventions<sup>7</sup> of the social programs prioritizes entities such as Mexico State (26,016,722 interventions), Mexico City (13,758,606 interventions), Chiapas (8,369,148 interventions), and Veracruz (8,008,521 interventions),<sup>8</sup> where most

<sup>7</sup> Interventions: Amount of support delivered through the social development programs not considering the interventions made to the elderly adults' welfare program.

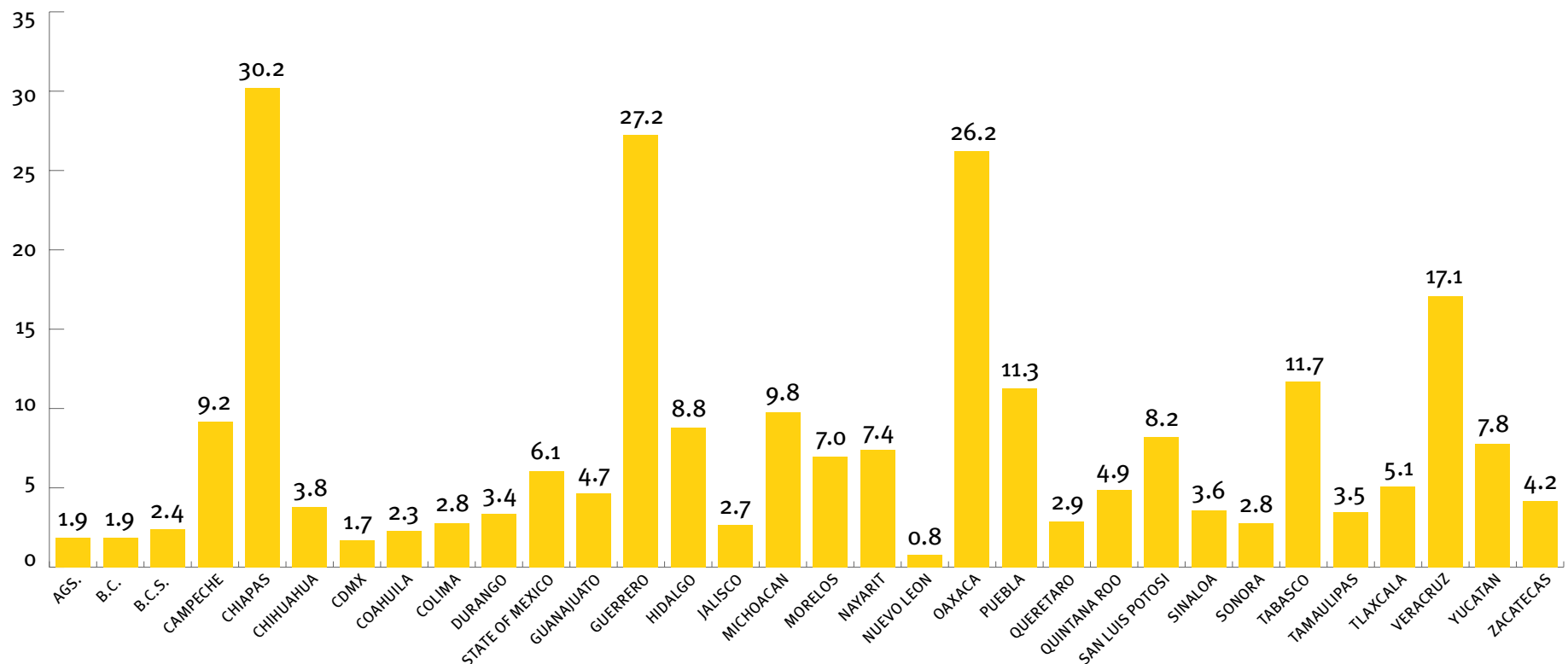
<sup>8</sup> Adjusted calculations to the number of interventions not

of the numbers match the entities with the highest number of citizens subscribed to the electoral list (Graph 2).

Although is difficult to understand, taking as a reference the social vocation with which this government

considering the interventions to the elderly adults' welfare program.

**GRAPH 3. PERCENTAGE OF INHABITANTS IN EXTREME POVERTY OF THE TOTAL POPULATION BY STATE**



Source: In-house elaboration with information from CONEVAL and CONAPO (National Population Council for its acronym in Spanish).



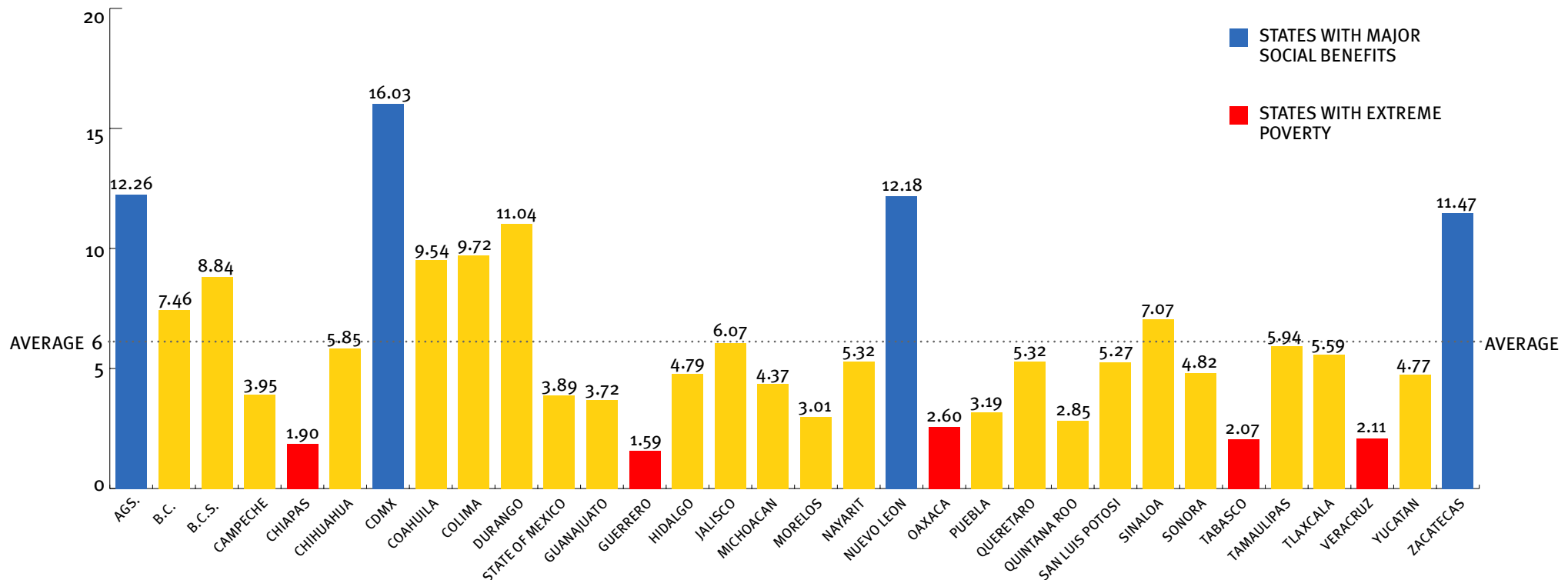
has been promoting itself, it feels like an attack on the development obeying different causes that are not part of the social needs; such as extreme poverty or social deprivation, by implementing programs ruled by the performance of the electoral list.

On top of that, another area of attention appears with the evidence of a lack of government actions to-

ward the poor. In the middle of an ascending number of needs generated by the COVID-19 pandemic, the deployment of all the government social programs has not been proportional to the areas of the highest rates of poverty in the country.

According to the CONEVAL, the highest rates of extreme poverty are located in Chiapas, Guerrero, Oax-

GRAPH 4. AVERAGE NUMBER OF SOCIAL BENEFITS PER INHABITANT IN EXTREME POVERTY



Source: In-house elaboration with information from CONEVAL, CONAPO, and PUB.

aca, with a percentage of 30.2%, 27.2%, and 26.1%<sup>9</sup> respectively. Followed by Veracruz with 17.1% and Tabasco with 11.7% (Graph 3).

However, the PUB (Registration of Beneficiaries)<sup>10</sup> indicates that the government social programs have assisted entities such as Mexico City, Aguascalientes, Nuevo León, and Zacatecas first (graph 4, blue bars) with the highest average numbers of social benefits for each inhabitant in state of extreme poverty (16.0, 12.2, 12.1, and 11.4 respectively) completely forgetting about the most in need entities: Chiapas, Guerrero, Oaxaca, Veracruz, and Tabasco (Graph 4, red bars) the same that receives the lowest average numbers per inhabitant in the state of extreme poverty. It is even more incongruent the assignation of social supports by the level of extreme poverty in the country. The gaps are getting wider. This information places in evidence the incongruences of the program and the ineffectiveness of its operability in reaching the objective of serving the poorest, those who find themselves in extreme poverty.<sup>11</sup>

<sup>9</sup> Calculations weighted by the size of the population of each federal entity to 06/2020.

<sup>10</sup> Registration of Beneficiaries (PUB) available on: <https://pub.bienestar.gob.mx/pub>.

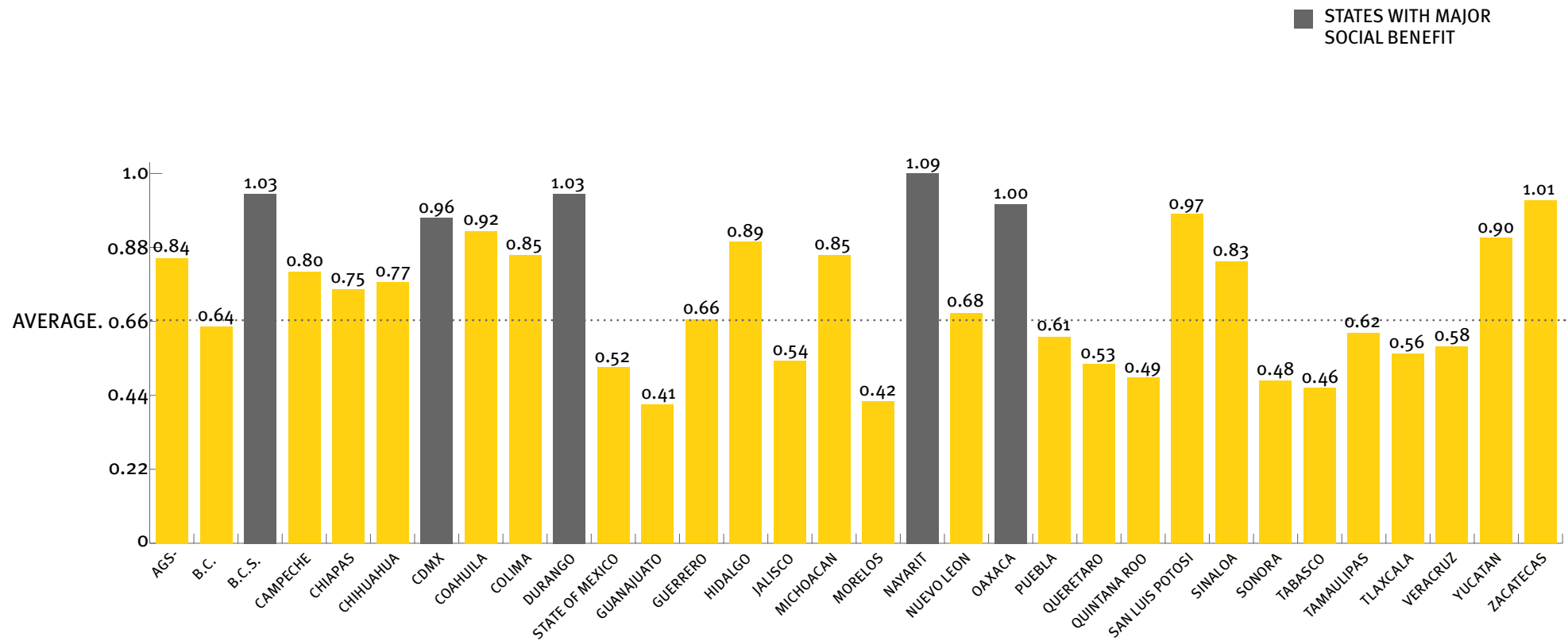
<sup>11</sup> The states of Aguascalientes and Nuevo León stand out ha-

## THE DISCONNECTION BETWEEN POVERTY

ving the lowest levels of extreme poverty and a lot of social support.

**The elements analyzed so far clearly show that the social programs are not reaching their final objective of serving the poorest. On the other hand, the deployment of beneficiaries seems to obey a pattern with electoral purposes, seeking to be present in entities with the highest electoral list and not with the highest number of poor people.**

**GRAPH 5. AVERAGE NUMBER OF SOCIAL BENEFICIARIES PER INHABITANT  
IN A STATE OF POVERTY**



Source: In-house elaboration with information from CONEVAL and PUB.

## AND SOCIAL PROGRAMS

The information is not different from the rest of the federal entities, where the proportions of poverty<sup>12</sup> had not been handled by entity either. Only the average number of social benefits per inhabitant in a state of poverty shows that Nayarit, Baja California Sur, and CDMX are within the most beneficiated entities (Graph 5, grey bars), while in Chiapas and Guerrero, the assistance doesn't even handle a person in a state of poverty. (Only 0.75 and 0.65 inhabitants in a state of poverty are being assisted by the social programs respectively).

In other words, an adequate focusing of the social programs does not exist for the entities with the most needs have been left aside, according to the percentage of their population in a state of poverty.

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<sup>12</sup>Poverty: A person who finds itself in a state of poverty has at least one social deprivation (within the six indicators of educational lagging, access to health services, access to social security services, housing quality and spaces, basic housing services, and access to feeding) and whose income isn't enough to acquire goods and services required to satisfy its basic dietary and non-dietary needs. CONEVAL glossary: <https://tinyurl.com/yxlvgt4a>.

*Image:* "2.5 million children work in Mexico because of poverty" at <http://www.sexenio.com.mx/aplicaciones/articulo/default.aspx?id=27529>.



## DEFICIENCY IN THE DESIGN AND OPERABILITY OF SOCIAL PROGRAMS

In a context full of irregularities and on the command of an operational group without experience in public administration, the social programs were implemented with various operational deficiencies pointed out by the evaluation of the National Council for Evaluation of Social Development Policy (CONEVAL).<sup>13</sup>

The limitations of the social programs referred by CONEVAL origin mainly in the operative component of each one of the programs, most of the recommendations made by the council mentions that:

1. There are inconsistencies in respect of the current rules and the current operating system.
2. It originates problems of banking penetration, which limits the coverage of the programs.
3. It places in evidence the lack of coordination between the programs and the dependencies to coordinate and strengthen objectives.
4. Lack of consistency in the approaches of the program's issues.

<sup>13</sup>Evaluations of the design with fieldwork 2019-2020 made to 17 priority social development programs. Available on: <https://tinyurl.com/y5voyf9r>.

5. It requires greater precision in the formulation of the social problem to address.

One of the most worrisome limitations referred to the programs is the design problems, such as the diagnosis, tree of issues, the operating rules, and the matrix of results indicators (MIR for its acronym in Spanish).

The design, operation, results, and transparency are components in which the social politics of the current government presents incongruences. Also, gaps in the social area were detected, which would indeed impact the vulnerable groups. In that sense, the effectiveness of the social programs has been determined by the inoperability associated with an insufficient institutional strategy.

Within the postulates in the social field of the PND (National development plan for its acronym in Spanish), there is no definition of a single strategy, finely detailed and homologated to align the operations and the functional strategies of each social actor. In this way, the obstacles to generating a route that allows the optimum practice of public spending it makes the implementation of a result-based management model (GpR), impossible.

## LACK OF TRANSPARENCY

One of the other elements that have been a characteristic in implementing the programs in the social area since it started had been the lack of transparency, due to the insufficient methodology clarity and further results. The first alert was generated when the National coordination development programs hired 17,860 Servants of the Nation, with resources approved by the SHCP (Secretariat of Finance and Public Credit for its acronym in Spanish). However, not even the creation of this rubric and its salary shows a single legal foundation.

By not having guidelines associated with the capacities of the state actors (denominated welfare representatives), nor established rules from the Welfare Secretariat, exposing the violation to one of the main pillars of the current administration, transparency in the government actions. Without a well-defined line of action and an evident lack of experience in developing this type of work, the government has had to hide the embarrassing strategies surrounding the questionable “Census of Prosperity”.



*Image:* AMLO promises 6 months to operate social programs. Photo: at <https://www.milenio.com/politica/amlo-6-meses-plazo-operen-programas-sociales>

## IS THERE ANY OTHER DATA?

Opposite to the political speech that the current government shares, in the social field, the dilemma is, “if we are so good, why are we so bad?” Despite that, in theory, the implementation of the social programs, have the objective to benefit society in terms such as poverty, in practice, the government and the strategy itself have fallen short in every aspect to reach the goals originally presented in the program.

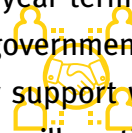
The social politics of this new administration promised way more than what they were capable to give. At this time, it is evident that they are not as consistent with topics such as social vulnerability, on one hand, and on the other hand, not to have the capabilities to face this kind of challenge that requires knowledge and technical and administrative expertise.

The speech that the vulnerable groups and “the poor come first” anticipates any action or policy from this administration, does not come true in this reality. The evidence reflects that this principle has not been thoroughly followed, is not very realistic, unlikely achievable, and is far from having a radical success in its implementation. It is concerning that social programs are not completely focused on the poverty dy-

namics in our country, besides the young and elderly adults. Specific groups or selected strata of the population have been left aside plus, the effects of the sanitary crisis have been ignored within the poorest strata of our country. Effective access to social rights is not being considered either.<sup>14</sup>

**The primary evidence consists of the deployment of the social benefits to pursue an objective that suggests assisting an electoral strategy and not the needs of the poorest,**

therefore the results would hardly be significant by the end of the six-year term to what social field refers. Limiting the government strategy to deliver essentially monetary support with no conditions is to accept that poverty will continue threatening the so-



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<sup>14</sup>The characteristics that a social right demands are: accessibility, availability, and quality of all and each of the programs.



cial wealth of the people. Even though financial support will help to a point to the target population, that will not assure at optimum assistance in a mid-long term, since they are not related or correspond to the plenty exercise of social rights.<sup>15</sup>

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<sup>15</sup> The programs do not present quality education, convenient access, far less the right utilization of it only in the education field, to mention an example.



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