

# Federalism and COVID: Managing the health and economic crisis in the Mexican federation



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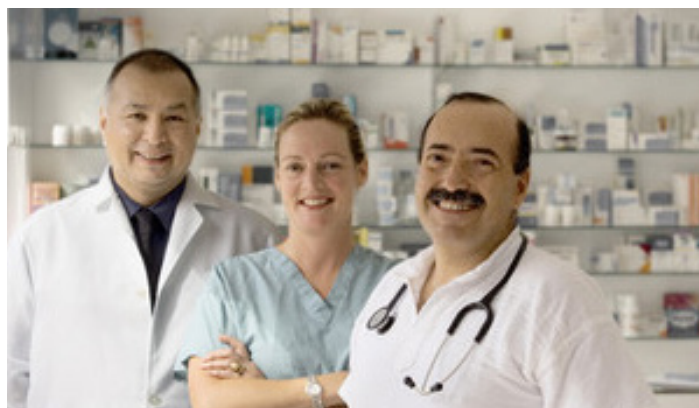
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The federal system of government in Mexico has responded in a relatively uncoordinated fashion to the health and economic crises caused by the spread of coronavirus. There are, among other issues, two significant structural reasons for this: the centralized and asymmetrical nature of the federal system; and the fragmentation of healthcare services.

In Mexico, for the most part, the government has exhorted its citizens to stay home. The Health Ministry has mounted a rather effective communication campaign and is in the midst of preparing the health system for the pandemic: reconverting public hospitals, expanding the public network with the inclusion of private hospitals, and importing the essential equipment required to care for patients affected by COVID-19. On March 30, The National Public Health Council declared the epidemic a health emergency. This declaration is not equivalent to a state of emergency but provides a mandate for priority attention to be given to the matter. In addition, the federal government has been imposing more stringent measures regarding social distancing, confinement, and the suspension of nonessential activities, although monitoring and enforcement has been lax. However, the federal government has argued that caution is needed when halting the economy in order to protect poor people, mostly those living on a daily subsistence income. There is an important caveat to this argument. Six out of ten people in Mexico work in the informal economy and thus are excluded from contributory social security. Thus, if these workers are further exposed to the virus they are more likely to get sick, and they have access only to poorly equipped and resourced health facilities, i.e. those available via the newly created National Institute of Health for Wellness (Insabi).

As per the federal constitution, the protection of public health is a shared responsibility of federal, state and municipal governments. In the case of extraordinary public health actions, such as those required during a pandemic, the Ministry of Health shall immediately issue the necessary measures in agreement with the President to prevent and control health risks in specific parts of the territory during explicit periods. These federal measures include the allocation of certain actions to other federal, state or municipal authorities as well as to health professionals: those related to public gatherings; air traffic and maritime and land transit; free use of telephonic, telegraphic, and mail media, as well as radio and television transmissions; and any others determined by the Ministry. This, however, does not imply that subnational governments relinquish their legal powers regarding the implementation of health security measures. Rather, when facing health emergencies, the responsibilities of state governments in Mexico are determined by the legal regulations regarding local public health in their territory, those assigned by the Ministry of Health given the extraordinary public health actions and, finally, those established by the National Public Health Council.

The state governments, thus, have reacted differently and much faster than the federal government. Approximately 10 out of the 32 states closed schools, bars, restaurants, museums, and beaches earlier than the federal government.





Yucatan went as far as to levy fines for people not following confinement regulations. Subnational governments, furthermore, implemented policies to safeguard the economy earlier and more vigorously than the central government, even considering their massive financial dependence on federal grants. State economic relief plans range from wage subsidies, to cash and in-kind transfers for vulnerable groups, to tax relief for people and businesses. The differences in policies and speed of response across the Mexican federal system can be explained by two factors.

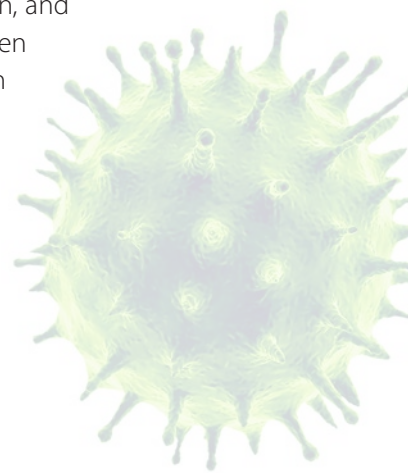
The first factor is that the federal system is rather centralized and asymmetrical. The subnational units are highly dependent on the central government (e.g. 12% of subnational autonomy as measured in relation to fiscal capacity, compared with 61% in Brazil<sup>1</sup>). The circumstances, needs, and capabilities of subnational governments vary dramatically (e.g. the infant mortality rate in the state of Oaxaca is double that of the state of Nuevo León). Lacking clear federal guidelines and standards to manage the crisis, state governments have thus reacted unevenly, deepening social inequalities. That is, relatively affluent states tend to have more capable governments and more robust health systems, and therefore their populations are more effectively protected than those of the poorest subnational units.

The second factor is that the health care system is deeply fragmented. There are several subsystems which provide care for formal sector workers, government employees, oil workers, and the armed forces. Furthermore, since the beginning of 2020, the National Institute of Health for Wellness (Insabi) has offered complete coverage for an ample list of medications and health interventions to those in the informal economy (6

out of 10 workers). Unfortunately, Insabi is operating without formal rules and apparently with insufficient funds for such a large and ambitious task. Mexico has traditionally spent rather meagerly on health - 5.8% of GDP compared to the average in OECD countries of 9%.

Furthermore, the quantity and quality of health facilities in Mexico are quite heterogeneous across states. Thus, poor uninsured people in states with weak health structures are those exposed to the highest risk. To begin with, the country should be planning a regional approach to manage the pandemic. That means, for example, focusing additional resources into the health facilities of those states or municipalities with the largest shares of uninsured, old-aged, or otherwise vulnerable populations.

In conclusion, it is evident that isolated decision making, disconnected fluxes of information, and uncoordinated actions may deepen public uncertainty. The Mexican federal government needs to take a vigorous lead during this crisis. Otherwise resources may be used inefficiently, and severe problems may arise in implementing the policies designed to protect the Mexican population from COVID-19.



<sup>1</sup> Porto, A., Pineda, C., & Eguino, H. (2018). *Descentralización y Autonomía Fiscal Subnacional en América Latina*. Banco Interamericano de Desarrollo (BID). <https://publications.iadb.org/es/publicacion/14089/descentralizacion-y-autonomia-fiscal-subnacional-en-america-latina-panorama>