

TC ABSTRACT

I. Basic Project Data

| | |
|--|--|
| ▪ Country/Region: | MEXICO/CID - Isthmus & DR |
| ▪ TC Name: | Applying Technology to Create an Integrated and Comprehensive Pension System in Mexico |
| ▪ TC Number: | ME-T1391 |
| ▪ Team Leader/Members: | KAPLAN, DAVID SCOTT (SCL/LMK) Team Leader; HAND, ANNE ELIZABETH (SCL/LMK); AZUARA HERRERA, OLIVER (SCL/LMK); BARRIOS NUNEZ, URIEL (CID/CME); BARRAGAN CRESPO, ENRIQUE IGNACIO (LEG/SGO); GARCIA RODRIGUEZ, YOCAURIS DEL CARMEN (CID/CDR); GARCIA VALERO, ANDREA CAROLINA (SCL/LMK); DE GYVES SANDOVAL, ALEJANDRO (CID/CME); HERNANDEZ-CARTAGENA, CAROLINA L. (SCL/LMK); GONZALEZ HERRERA, BEATRIZ MARIA ((SCL/LMK); GARCIA VALERO, ANDREA CAROLINA (SCL/LMK) |
| ▪ Taxonomy: | Research and Dissemination |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 10 Aug 2020 |
| ▪ Beneficiary: | Ministry of Finance (SHCP) Mexico |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | US\$290,000.00 |
| ▪ Local counterpart funding: | US\$0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | SCL/LMK - Labor Markets |
| ▪ Unit of Disbursement Responsibility: | CID/CME - Country Office Mexico |
| ▪ TC included in Country Strategy (y/n): | Yes |
| ▪ TC included in CPD (y/n): | No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law |

II. Objective and Justification

- 2.1 This TC seeks to use and apply recent technological advances to facilitate and strengthen the development of an integrated and comprehensive pension system in Mexico.
- 2.2 Mexico currently has over one thousand different pension systems that are uncoordinated and poorly integrated. With current projections, if left unchecked, the actuarial deficit from of these systems could reach 120% of GDP by the year 2035. A priority of the government is to reduce old-age poverty through pension payments, while also creating an integrated system with long-term fiscal and social sustainability.

III. Description of Activities and Outputs

- 3.1 **Component 1: Actuarial tool modification and use for technical analyses of reform impacts on fiscal costs and labor market efficiency.** A dynamic actuarial tool is a necessary input to support the reform process in real time.
- 3.2 **Component 2. One technical pilot for social security compliance.** This component would fund at least one pilot project supported by the Ministry of Finance to assess interoperability of federal and subnational pension systems.

- 3.3 **Component 3: Others.** Study trips, dissemination and a communication plus miscellaneous.

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|--|-----------------------|---------------------|-----------------------|
| Component 1: Actuarial tool modification and use for technical analyses of reform impacts on fiscal costs and labor market efficiency. | US\$130,000.00 | US\$0.00 | US\$130,000.00 |
| Component 2. One technical pilot for social security compliance | US\$130,000.00 | US\$0.00 | US\$130,000.00 |
| Others | US\$30,000.00 | US\$0.00 | US\$30,000.00 |
| Total | US\$290,000.00 | US\$0.00 | US\$290,000.00 |

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Bank through the Labor Market Division (SCL/LMK) at the request of Mexican authorities. The Labor Markets Division team working in Mexico (LMK/CME) has the relevant background, skills, and technical experience to carry out this technical cooperation; therefore, the Mexican federal government has requested the IDB's support to directly execute the TC.
- 5.2 The execution of TCs by the Bank is common practice in Mexico due to the national budgeting mechanism, which subtracts the financing of the TC from the beneficiary's budget when the beneficiary executes them. The Bank, through SCL/LMK, has worked for several years in collaboration with the Government of Mexico in general, and with the Pension and Social Security Unit of the Ministry of Finance, which will be the counterpart in the design and implementation of effective and efficient solutions, positioning it as a benchmark in the area. In addition, the Bank has specific experience in the execution of the activities foreseen in this TC.

VI. Project Risks and Issues

- 6.1 The current Global Coronavirus Pandemic and health contingencies have introduced a generalized risk of uncertainty to the success of this Technical Cooperation, as well as all activities planned by the Government of Mexico in the short and potentially medium term. To mitigate this risk, the Bank is in constant communication with counterparts at the Ministry of Finance. The Bank understands that federal and subnational pension reform remains a high-level priority. The Bank will maintain constant communication with the Ministry of Finance to mitigate this risk and adapt accordingly to any changes necessitated by this unique risk and challenge.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".