

# Policy transfer and lesson drawing. The case of the pension system reform in Mexico<sup>1</sup>

**JORGE ENRIQUE CULEBRO MORENO, Dr.Polit.\***  
Profesor-investigador, Universidad Autónoma Metropolitana, México  
jcmoreno@correo.cua.uam.mx

**VÍCTOR MANUEL FIGUERAS ZANABRIA, Ph.D.**  
Coordinador del Doctorado en Políticas Públicas, Centro de Investigación y Docencia Económicas  
(CIDE A.C.), México  
victor.figueras@cide.edu

## ABSTRACT

The article's objective is to analyze the development and evolution of the Mexican pension reform not only as such but also of two main bodies: on the one hand, the regulator (the National Saving for Retirement) and the other, from the pension fund manager designed as a public-private partnership (PPP Manager Retirement Funds, Afore XXI). This article finds firstly, the existence of a horizontal degree of specialization and a potential lack of accountability and transparency in organizations responsible for regulating the pension system, and secondly that the presence of values that may compete in public officials in developing their roles have affected the development of a new pension system in Mexico and the performance of the regulator.

**Keywords.** Policy transfer; pension system; administrative reform; regulation

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\* Autor para correspondencia. Dirigir a: Universidad Autónoma Metropolitana, Unidad Cuajimalpa. Baja California 200, esq. Tlacotalpan. Colonia Roma Sur Delegación Cuauhtémoc México D.F. C.P. 06760 México.

*Transferencia de políticas y construcción de lecciones. El caso de la reforma al sistema de pensiones en México*

**RESUMEN**

El objetivo del artículo consiste en estudiar la reforma en el sistema de pensiones en México, en particular, el desarrollo y evolución de la reforma de dos principales organismos, por un lado la agencia reguladora y por el otro de la administradora de fondos de pensiones diseñada como una asociación público-privada PPP. Los resultados son, la existencia de un grado de especialización horizontal y una potencial falta de rendición de cuentas y transparencia en las organizaciones encargadas de regular el sistema de pensiones, así como la presencia de valores de que pueden entrar en competencia en los funcionarios públicos en el desarrollo de sus funciones afectando el desarrollo de un nuevo sistema de pensiones y el desempeño del organismo regulador.

**Palabras clave.** Transferencia de políticas; sistema de pensiones; reforma administrativa; regulación



*Transferência de políticas e construção de lições. O caso da reforma do sistema de subsídios no México*

**RESUMO**

O objetivo deste artigo consiste em estudar a reforma de um sistema de subsídios no México, em particular o desenvolvimento e evolução da reforma das principais organizações, por um lado a agência reguladora e, por outro lado, a administração de fundos de pensão criada como uma parceria público-privada (PPP). Os resultados são a existência de um grau de especialização horizontal e uma potencial falta de prestação de contas e transparências das organizações encarregadas de regular o sistema de pensões, assim como a presença de valores que podem entrar em concorrência nos funcionários públicos e no desempenho de suas funções, tendo impacto no desenvolvimento de novos sistemas de pensões e o desempenho de organização reguladora.

**Palavras-chave.** Transferência de políticas; sistema de pensões; reforma administrativa; regulação

## Introduction

This article has two purposes, firstly to contribute to the understanding of the key features and potential paradoxes posed by the implementation of public-private partnerships (PPP), generally conceived as co-operation schemes between public and private complementary and interdependent, aimed at providing a public service or as a set of networks involving a variety of public and private actors (Koch and Buser, 2006); secondly, to strengthen the research literature and development of and pension regulators from a transfer of public policies. In this sense, we are interested in the reforms of pension systems in Latin America and, in particular in some strategies, such as those followed in Chile and Mexico, and by which regulatory frameworks have been introduced to monitor some elements of market.

During the 1990s, several Latin American countries were immersed in the fiscal crisis and in response to it, prompted a series of reforms that varied in scope and depth, many of them as part of commitments to international agencies to change financial support. Others were inspired by some kind of fashion to make governments more efficient and responsive known as New Public Management and who have been transforming the social security systems in most of the world (Askim, Christensen, Fimreite, and Laegreid, 2010).

For some Latin American countries, these ideas served to guide the reforms of their pension systems. In particular, this article focuses on the 1997 reform of the Mexican pension system, in particular on the analysis of the regulatory agency created (Comisión Nacional de Ahorro para el Retiro, CONSAR) and a pension fund administrator designed as a public-private partnership (Administrador de Fondos para el Retiro, Afore XXI).

While administrative reforms have been designed primarily as rational strategies, we

argue that reforms might be better when they are seen as a mixture of internal and external institutional features, because they are embedded in a specific political and administrative context (Christensen, Laegreid, and Stigen, 2004). In general, this type of reform is oriented to the introduction of economic principles from the new institutionalism in economics in the public sector, as well as the implementation of managerial tools closest to organizational new institutionalism. In other words, we refer to the study of the learning processes as a model that emphasizes how reforms are influenced by national administrative cultures, traditions, and the political context (Christensen and Lagreid, 2007a, 2007b), but also to the study of new and useful perspectives for public management.

In accordance with the new public management discourse, public organizations tend to develop a set of networks where a mixed collection of players in private, public and voluntary sectors, improve the governmental performance. Public-private partnerships have also become a form of structural devolution which involves a transfer of tasks from the central government to the private sector (Christensen and Laegreid, 2007a). Thus, under the new public management context, public-private partnerships contain at least three elements: 1) preference for private finance because of the problems related to technical capacity for the public officials; 2) complexity, which may reduce transparency, accountability and access to information; and 3) specific accountability and governance mechanisms, such as risk-sharing and flexible decision making processes (Hodge, 2007).

In this article, we focus on the exception, Afore XXI, which is the only publicly owned pension fund administrator. It is part of the Mexican Institute for Social Security (IMSS

for its initials in Spanish); the institution is responsible of providing social security services to workers in the formal sector. The staff and management of Afore XXI are both public but it competes with the private Afores in equal conditions. It provides services as a private agency, and is subject to the regulation of the CONSAR.

The lesson-drawing or policy transfer perspective, explains reforms and their outcomes as a constructive learning process, which draws experience from other countries to improve national policies. It tries to respond under what circumstances and to what extent will a program that works there will work here (Rose, 2001) and entails different stages: diagnosing the problem and searching for a relevant program to imitate; abstracting a cause-and-effect model; designing and creating a lesson; and, handling the problem of context and carrying out a prospective evaluation. Thus, lesson drawing/policy transfer implies a process of editing, filtering, interpreting and transforming policies, and suggests that evaluations should be carried out to measure the effectiveness of the public programs and the transferred model into the political system. This perspective also highlights the role international organizations have in promoting and introducing administrative reforms. In this regard, the article emphasizes the manner in which the institutional context influenced the development and evolution of one part of the reform to the pension system in México as a part of a whole social welfare reform (Culebro, 2008).

Theoretically speaking the article draws from a combination of a lesson drawing model, policy transfer, and an institutional perspective it is intended to explore two ideas:

- The regulatory scenario. In line with new public management prescriptions and major structural reforms, an appropriate develop-

ment of public-private partnership would call for less regulation. However, in practice, regulation tends to increase and becomes more complex, because it combines rules from both the public and the private spheres;

- The institutional design scenario. Regulatory agencies should be responsible for the regulation of public-private partnerships. However, it has been acknowledged that the institutional design of the regulatory agencies has important effects on the functioning and outcomes of public-private partnerships, such as lack of accountability, transparency, and coordination within the public sector.

These scenarios are part of a collection of a new institutional arrangement that are the result of the introduction of a set of administrative and regulatory reforms in which, instead of integration of the participants in the financial system, we find fragmentation mainly due to horizontal specialization; the financial system has become more complicated than before because of its existence. In addition, concerning the institutional design of the regulatory agencies as a substitute of obtaining technical and efficiency gains from the reform, lack of accountability and transparency are now significant issues; as well as public servants are confused about their roles because competing values guide their activities (e.g., efficiency and legitimacy).

### *Methodological considerations*

The text assumes that there are two major research strategies: quantitative and qualitative methods and that, when it comes to analyze the process of administrative reform qualitative, methods provide data whose treatment requires a more interpretive and it is chosen when researchers are willing to study phenomena that evolve and change constantly. Sometimes the variables are not fully identified and theories can be developed

during the research process (Wieviorka, 1992). In our case, we followed a strategy related to qualitative case studies in order to understand the meaning of the phenomena in holistic terms looking for plausible explanations for events. From this perspective the cases are chosen for their conceptual richness (Yin, 1994) and seeks to advance the clarification of concepts and empirical categories, defined primarily by the conceptual theoretical interest, and not by the methods used (Stake, 2007). The research is part of a much broader regulation and regulatory agencies funded by the National Council of Science and Technology in Mexico.

The order of the article is as follows: firstly, the main characteristics of the Mexican pension system are presented, then, the different stages of the policy transfer are showed and thirdly, we display the potential scenarios and final considerations.

### **1 The pension system in Mexico: general considerations**

Reforms to social security systems have become an important topic in recent years and generally share some common characteristics, such as the creation of institutional arrangements that seek to reduce risks and vulnerability of society and the individual protecting her occupational retirement, health and unemployment, as well as other assistance such as maternity and accidents.

In the case of México, the IMSS as the most important social welfare institution was created in 1943 to provide social security services, defined as the:

Right to health services, medical assistance, protection of means to survive, and all the services required for (attaining) individual and social wellbeing, as well as the provision of a pension (...) guaranteed by the state [Traduced by the authors]. (Ley del Seguro Social, DOF 27-

05-2011, Congreso de los Estados Unidos Mexicanos, Art.2, 2011)

Since its creation, the IMSS' pension system has covered workers in the formal sector, and it has been financed through a three-party scheme. Employers contribute with about 70% of the social security contributions to old age and severance,<sup>2</sup> the employees' share is 25%, and the remnant is contributed by the federal government.<sup>3</sup> For decades (until 1997), the IMSS pension system operated as a defined benefit regime also known as pay-as-you-go (PAYGO). This regime is characterized by a guaranteed pension which is not equivalent to the amount of equivalent contributions.

On the other hand, in the 1960s, the Institute for the Social Security of the Public Servants (Instituto de Seguridad Social al Servicio de los Trabajadores del Estado, ISSSTE) was created to provide services exclusively to the public workers of the federal government. Since then, other organizations have been created to target specific populations, such as the workers of the national oil and energy companies (Mexican Oil —PEMEX— and the Federal Commission of Electricity —CFE; initials from their translation to Spanish). However, recently, the federal government has created the so-called Popular Insurance for those people that do not belong to the formal health institutions. As a result, the social security system in Mexico has become fragmented; the provision of services is vertical and focalized on specific segments of the population.

2 Currently, 6,5% of the monthly wages goes to Afores' individual accounts, 4,5% for old age and severance, and 2% for the retirement sub-account.

3 Plus a social quota through a government contribution of 5,5% of one minimum wage per day, indexed to the consumer price index.

## 2 First step. Diagnosis and search for a program to imitate

In 1995 the administration of President Ernesto Zedillo (1994–2000) started the reform of the social security system, and general objectives for this purpose were established in the National Plan for Development (*Plan Nacional de Desarrollo* —PND— 1995–2000). The core of the reform was the intention of transforming the IMSS' pension system, from PAYGO scheme to a system of individual accounts.

Defined-benefit (PAYGO) regimes are characterized by the commitment of guaranteeing a pension that is defined by a formula, which may not be equivalent to the amount of individual contributions. The system is based on inter-generational solidarity, where the pensions of the retired are financed with the contributions of those still participating in the labor force. The model assumes that the proportion of contributions to the system will always be sufficient to pay the benefits at any time. The dynamics of population growth complicates this assumption, though. Increases in life expectancy rates, drops of births, and delays in joining the labor force can make this type of system financially unsustainable. For instance, demographic trends in Mexico and other Latin American countries indicate that the elderly will increase in number and importance in the years to come.

According to the Mexican National Institute of Statistics and Geography (INEGI for its initials in Spanish),<sup>4</sup> 8,2% of the total population of Mexico is sixty or more years old. Between 2005 and 2008, this group increased from 7,9 to 8,8 million, and its average annual growth rate is about 3,5%, whereas the one of the total population is 0,88%. In terms of policy implications, the first problem is that aging processes increase the pressure

4 The information presented above was consulted at: <http://www.inegi.org.mx/>

on PAYGO regimes, because the number of beneficiaries outnumber the amount of contributions available.

The second problem is that the pensions' fund is administered by the government, which could be tempted to use these monies to face immediate financial problems. The third problem is that individual contributions were relatively high for international standards, which can be seen as disincentive to contribute. Summarizing, the reform of the IMSS pension system in the mid-1990s faced three main challenges: a growing asymmetry between benefits and contributions; the vulnerability of the system's fund to be used for different purposes; and the existence of negative incentives to contribute to the system.

The main strategies recommended to resolve the problems of PAYGO regimes have been: increasing the retirement age; increasing the amount of contributions; and protecting pension funds from discretionary use (improving regulation). In order to improve the availability of contributions, some countries have passed laws increasing the age of retirement and/or the amount of contributions. In Latin America, Brazil is a good example of these measures. Canada, on the other hand, has developed a sophisticated regulatory framework in order to make the pensions' fund untouchable for purposes different from the payment of benefits (Abi-Ramia, 2008).<sup>5</sup>

In Mexico, these options were not viable at the time of the reform (mid-1990s). Firstly, because powerful unions opposed measures to increase either the retirement age or the amount of contributions; secondly, because issuing new regulation to protect the pensions' fund would bring the public's atten-

5 See for example Abi-Ramia (2008) and "Agreement between the government of the united states of America and the government of Canada" (1981).

tion to the fact that the government was misusing the pension monies.

It is important to acknowledge the strong influence that strategies based on new public management prescriptions—in particular the introduction of market incentives for the performance of public organizations—had in Latin American countries during the 1990s. In this manner, several reforms of the public sector in Latin American countries in the 1990s introduced reforms of the pension systems, including new public management recommendations, such as the following: introduction of business-like management; client-oriented service provision; introduction of market competition; performance measurement and the development of performance indicators and evaluations; budgetary adjustments; privatization schemes; decentralization; and intensive use of technologies of information and communication (TIC).

As previously discussed, the Mexican Government had not many options for the pension system's reform because of the existing political conditions: new veto power actors and pressures from traditional unions, and the influence from international agencies, advocates of new public management models. Moreover, it seems that new public management measures were seen with sympathy by the top Mexican public officials, who were in charge of drawing the proposal. Many of them had obtained highly technical training in foreign universities, so it seems feasible that they were truly convinced about the benefits of the new public management prescriptions. Moreover, some of these experts considered that a pension reform should also address the problem of low domestic savings. In this manner, the Mexican experts decided to replicate the Chilean pension reform (Brooks, 2011).

Without the opposition of the unions, and with the support of his party, that

maintained a majority in the Congress, the president finally passed the social security reform. In 1997, the Mexican Congress passed the Law for the Retirement Savings (*Ley de los Sistemas de Ahorro para el Retiro*, DOF 21-01-2009, Congreso de los Estados Unidos Mexicanos, 2009), which authorized the creation of Pension Funds Administrators (*Administradoras de Fondos para el Retiro*, Afores). The law also created a regulatory agency for the Afores, and the National Commission of the Retirement Savings' System (CONSAR).

The reform allowed the participation of the private sector in some of the stages of the process of administration of the pension benefits. These stages are: 1) definition of the pension benefits; 2) collection of contributions (financing); 3) administration of the pension funds (investment); 4) delivery of the benefits (payment); and 5) information to the beneficiaries (*Conferencia Interamericana de Seguridad Social — CISS*, 2008). Under the new arrangement, Afores are entitled to decide the investment of the pensions' funds, as long as they guarantee the pension benefits established by law; Afores are also responsible for paying the pension' benefits to the people retired. All the pensions of individuals retired under the former scheme (PAYGO) will be financed with public funds.

The key transformation of this reform was the transit from a PAYGO system to an individual accounts scheme. As a consequence of the reform, the crucial element of intergeneration solidarity disappeared, from then (1997) on, young working individuals would not contribute to finance the pension of the retired.

In spite of the magnitude of the reform, it is worth noting that it could be modified—unless some institutional controls are put in force—because of its vulnerability to political swings. Consider for instance, recent

events in Argentina, where the government took back on the control of the formerly privately-managed pension system. The argument of the Argentinean authorities was that the private administrators were increasingly demanding the government's support to help them face financial difficulties. From the government's perspective, bailing-out the private administrators would be more expensive than making a public agency responsible for the administration of pension funds. Critics of the Argentinean Government argued that the reform was intended to take over the management of the pension fund and its resources.

### **3 Development of a new organization. The creation of national commission of the retirement saving's system (CONSAR)**

Mexico's reform of the pension system may be seen as aligned to international trends. For instance, a main assumption behind the Mexican reform was that it would contribute to adapt the economy to the structural changes initiated in the early 1990s. It is worth noting that the reform has not followed a homogeneous pattern mainly as a consequence of the particularities of the Mexican public sector and the legal system. By contrast, reforms of the financial system show a more common pattern. This is an important point considering that in the pension system participate many institutions related to the financial sector. Thus, in addition to the CONSAR, the system is integrated by the Ministry of Finance, the Bank of Mexico, the National Banking Commission, the National Insurance Commission, and the National Commission for the Protection and Advise of Users of Financial Services.

The creation and evolution of CONSAR reveals the complexity and homogeneity of the financial system, but different from other regulatory bodies, the pension market is

very new and it has a high social impact. The CONSAR was created in July 1994 and modified in 1996; it is a regulatory agency mainly responsible of guaranteeing law enforcement and compliance from agents (Afores) to the regulation of the pension system. In general, CONSAR must assure the functioning of the system, paying attention to crucial issues such as the solvency and stability of the Afores, the regulation of risk management and the promotion of self-regulation and self-supervision. CONSAR is responsible of three main areas of the pension system: coordination, regulation, and surveillance.

The Commission has been created as a de-concentrated public agency, endowed with technical autonomy, but it belongs to the administrative sector headed by the Ministry of Finance. From an instrumental/structural perspective, and based on the premise that organizational adjustments might modify governmental behavior, the Commission's organization has three main mechanisms of governance: presidency; board of directors; and a consulting and surveillance committee.

Due to the specific nature of the regulated sector, the Governing Board is composed of representatives of the social security system, employers, workers, and the federal government. The Board is headed by the Secretary of the Treasury, and is composed of: CONSAR President, two Vice Presidents, the Secretary of Labor, Central Bank Governor, the directors of IMSS and ISSSTE, the National Housing Fund for Workers housing Fund, the President of the National Banking and President of the National Insurance and Bonding. The other members are appointed by the Secretary of the Treasury, including four representatives of the workers' union and one employer (CONSAR, 2006).

Similar to other regulatory bodies, the commission structure provides valuable



information about the organization of the mechanisms of government and its decision-making processes. Such as the existence of two mechanisms of control. One is the Ministry of Public Functions (SFP for its initials in Spanish) which is the Comptroller General of the overseer of public officials to prevent misuse of misconduct (corruption, abuse), and the other mechanism is the Monitoring and Control Committee composed of six representatives of workers, six of employers, by the President of the Commission, and six by the federal government. In practice, this committee works closely with the Governing Board as an advisory body. Importantly CONSAR dependence with the Secretariat, as though there is no formal veto, the influence of the Secretariat for this present in the processes established for the approval of the Commission's budget for the creation of aphorisms and the rules for international treaties.

The president of the Commission is appointed by the Ministry of Finance. The president is considered as the highest administrative authority and is able to delegate authority to other bodies of the Commission. The president holds the legal representation of the Commission and its administration, and proposes the appointment of removal of the vice-presidents and the secretary. In terms of responsibility and duties, the president is responsible for implementing the administrative guidelines established by the board or directors, and is also accountable to the Ministry of Finance. The president must inform these authorities (the Board and the Ministry) about the Commission's budgetary situation and other relevant issues. Finally, the president also receives recommendations from the Consulting and Surveillance Committee.

In the CONSAR's case, the composition of the board of directors provides valuable

information about the organization's governance mechanism and its decision-making processes. Firstly, we can see that CONSAR's president is appointed by the Ministry of Finance, and a majority of the board members belong to the federal government, whereas only a minor proportion represents the workers and the employers. Secondly, there are two control mechanisms. One of them is a general comptroller from the Ministry of Public Function, which is responsible for the surveillance of public servants to prevent abuse bad behavior (corruption, abuses). The other mechanism is the Consulting and Surveillance Committee, which is composed by six representatives of the workers, six representatives of the employers, the president of the Commission, the Ministry of Finance, the Ministry of Labour, a representative of the Central Bank and three representatives of the social security system. This Committee is informed about the licenses and revocations of Afores, and is in charge of approving independent (external) board members and compliance officers of the Afores. The Committee also provides advice about the investment regime, the structure of the commissions, and the strategies to avoid monopolistic practices. In the practice, the Committee operates closely to the board of directors as a consultant body.

As for the mechanisms of transparency and accountability, construction is required to submit a quarterly report to Congress on the status of the system of retirement savings, which include inter alia, the decisions taken by the Commission, and information for workers and the Afores. It is also obliged to give access to any information related to savings schemes to the general public either in statistics, publications or website. Besides this, the president must submit to the Board a semiannual and annual report on the performance of the Commission and

savings schemes, and finally, to present an annual report to the Ministry of Finance or to present specific reports when actions and concrete cases require so.

#### **4 New forms of collaboration. The IMSS and the PPSAFORE XXI**

The pension fund administrator Afore XXI (Siglo XXI) is a single-purpose organization, created as a result of horizontal specialization in financial matters. Siglo XXI is part of the system regulated by CONSAR; but, different from other Afores, it can be seen as a public-private partnership. Siglo XXI is owned by two entities, the IMSS and Prudential Financial Inc., which is a United States' private insurance company that offers life insurance mutual funds, annuities, and pension and retirement-related services.

Because of the nature of Siglo XXI, its regulation has become a hybrid which combines rules from both public and private legislation. For instance, in accordance with the Law for the Retirement Savings, Afores can be constituted as private corporations with variable capital, and they shall not use any designation in foreign language or related with any religious connotation. Their corporate governance is also limited by the law, because Afores must have at least five members in their respective boards of directors, and CONSAR must be informed about any change in their composition.

Likewise, Afores require the approval of the CONSAR's Control and Surveillance Committee to appoint their comptrollers and independent members of the board. It is established by the law that the Afores' boards may incorporate independent councilors specialized in financing, economics, law or social security, without any kind of patrimonial link or labor relation with other fund pension. In this manner, some of the most important decisions of Siglo XXI, such

as its self-regulation program and management contracts signed with other companies, require the approval of these external councilors. According to the same law, Afores' capital is divided in two parts: one part—up to 51% of the company's total capital—that can only be acquired by Mexicans or Mexican companies, controlled by Mexicans; and the second part—up to 49%—which is considered as available for free subscription, which implies that foreigners and foreign firms may purchase it.

#### **5 Reform to the pension system. Two potential scenarios**

Previous sections revised the case of the Mexican pension system, in particular the situation of one administration fund (Afore XXI) and the role of the main regulatory agency (CONSAR), in order to reveal some of the problems with public-private partnership's implementation. The analysis focused on the divergences between the reformers' discourse about the advantages of new public management prescriptions and the public-private partnerships schemes, and the manner in which they tend to operate in reality and in particular contexts. The reform of the pension system was based on the idea of gaining efficiency and effectiveness through the introduction of a market-reassembling mechanism (Afores, public-private partnership). Nevertheless, the analysis of the governance bodies and the combination of public and private areas suggests that these may become sources of tension and conflict, and developing some kind of new forms of organizational hybrids with a high level of complexity (Christensen, Knuth, Laegreid, and Wiggan, 2009).

##### **5.1 First scenario: the regulatory State**

The pension system in Mexico is part of the broader reform to the social security struc-

ture (IMSS, Afore, CONSAR, ISSSTE,<sup>6</sup>etc.), often related to the so-called regulatory state. As we saw, far from achieving an integration of the participants in the financial system, the reform has led to fragmentation associated to the participants' increased horizontal specialization. This can be seen in the functioning of the several commissions created to address specific problems. One interesting outcome is that some functions of the commissions tend to overlap; for instance, whereas one regulatory agency is dedicated to insurance matters only, another also resolves complaints against insurance companies. The case of the CONSAR is an illustration of how the situation under the new system may become more complex. On one hand, Afores are regulated by the CONSAR; on the other hand, simultaneously, they must abide to the rules established by other agencies such as the National Banking Commission and the National Commission of Insurance, as well as to compete with globalised market characterized by its dynamism and continuous transformation.

In contrast to that, the reform of the pension system is also part of a broader process of administrative modernization and institutional changes, such as the regulatory reform and the processes of political and economic openness. The reform introduced a private-market mechanism economic competence for the administration of pension funds. In consequence, a regulatory agency, with sufficient autonomy to carry out its functions, was required. In this sense, an important outcome of the reform has been a system which involves diverse actors with competing interests, agencies with different organizational designs and goals and complex co-ordination mecha-

nisms. The analysis of Afore XXI sheds light on the way public-private partnerships tend to operate in particular contexts, and about potential sources of tension and conflict. One of the most important sources of tension identified in the analysis is the existence of two sets of regulation, one private and one public, operating simultaneously to regulate market of Afores.

### 5.2 *The institutional design scenario. New organizational hybrids*

One of the fundamental premises on which regulatory reform and the creation of regulatory agencies are based, is the belief that these measures are politically neutral and isolated from ideological and political influence. In the Mexican case it was assumed that the introduction of market mechanism and the creation of the regulatory agency would yield technical effects only. Nevertheless, there have been some unexpected and undesirable outcomes related to accountability and transparency issues. For instance, the procedure established to submit and exercise the CONSAR's budget does not provide rules of accountability and for good corporate governance practices.

In addition, regulatory reforms acknowledge the importance of removing politicians from regulation to guarantee that decisions are made on the basis of professional competence and specialized knowledge; they also seek to maintain the stability of the public administration structure. The pension reform and the introduction of public-private partnership seemed to follow these assumptions; however, it must be noted that public servants are immersed within a complex framework where they operate in the face of competing values, such as efficiency and legitimacy.

In this sense, there is always the pressure for a public official to provide more

6 Instituto de Seguridad Social de los Trabajadores del Estado, translated as Social Security Institute for public workers.

importance to one set of principles (technical efficiency for example) in detriment of the other (e.g., representation of the public interest). Besides that, reforms are shaped by and reflect historical legacies and particular political views; in consequence, it is always difficult to find an appropriate balance between autonomy, control, technical feasibility, and the protection of democratic values (Lopez-Ayllon y Ruiz, 2007).

## 6 Final considerations

The article focuses on the institutional transformations of the pension system in Mexico, the origins of the reform and how it was conceived as a feasible solution to the former system's financial weakness and promotes internal saving; it also addresses the main features of the reform, emphasizing decisions on institutional design, the introduction of market competition (Afores) and the creation of a regulatory agency (CON SAR). Finally, it points out some contradictory outcomes of the implementation of public-private partnership schemes (SIGLO XXI). In this sense, the study contributes to fill a gap in the study of public-private partnerships, since several studies are concerned with the economical or financial effects rather than questioning about the paradoxes of implementation, and its interaction with particularities of the context. The results of the analysis of the case are in line with the argument that regulatory reforms may blur the public-private boundaries, and lead to institutional designs characterized by a high degree of complexity and potential problems associated with transparency and accountability issues.

The article also illustrates some of the problems that may arise from the naive and almost automatic adoption of foreign models, even though it may be seen to the construction as a result of a process of diffu-

sion and institutional isomorphism in Latin America (Levi-Faur, 2005). For example, the study describes the process of diagnosing the problem, finding an appropriate program to imitate, and decisions to replicate the experience of other countries that occurs within an institutional home and where they have to coexist with the traditional forms public management with the new principles and values brought from the ngp.

Finally, it is expected that these lines may contribute to the debate on the reforms as multidimensional and complex process, and in particular on products regulatory mechanisms of the processes of administrative modernization.

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