

## *Foreword*

The health of citizens has significantly improved in the last decades: the average life expectancy has increased by more than 10 years since 1960 in OECD countries. However, health systems are also under growing pressures. Health risk factors are changing, with an aging population and a rising tide of chronic diseases resulting from unhealthy lifestyles. Poverty, unemployment and stress are also increasing in countries facing economic difficulties, which negatively impact health outcomes. Against the background of evolving health challenges, public spending on health has to be controlled. Forecasts show that health spending will keep climbing in the foreseeable future, challenging the fiscal sustainability of health systems.

The health challenge is particularly complex in Mexico. While the average life expectancy has increased by almost 18 years since 1960, it remains one of the lowest in the OECD, while the rate of adult obesity has increased rapidly to 30%. At the same time, resources to address these challenges are insufficient. Over 25% of Mexican citizens do not have health insurance coverage and total public and private health expenditure per capita is less than a third the OECD average. More than elsewhere, the quality of health care delivered to Mexican citizens depends on an innovative, efficient health system.

In this context, public procurement plays a key role in increasing the efficiency and sustainability of Mexico's health system and in maintaining high-quality health care for citizens. Through strategic procurement, hospitals and clinics can obtain more products and services of better quality at the same, or even lower costs. Effective procurement also ensures the availability of medical goods and services required for health systems to be effective and responsive to patient needs. Good governance in public procurement is therefore necessary to enhance the public trust in the capacity of Mexico's health care sector to deliver timely and effective public services.

For many years, the OECD has assisted governments in reforming their public procurement through sharing international good practices, comparative data and conducting peer reviews against the OECD Principles for Enhancing Integrity in Public Procurement. These efforts also support the G20 commitment to promote integrity, transparency and accountability in public procurement.

The report on the State's Employees' Social Security and Social Services Institute (ISSSTE) is the second OECD peer review in the health sector of Mexico. Similarly to the procurement review of the Mexican Institute of Social Security (IMSS), it assesses the effectiveness, efficiency and integrity of ISSSTE's entire procurement system and identifies a series of actions for improvement. ISSSTE is a main player in the Mexican health care system providing numerous medical and non-medical services for more than 12 million public sector employees and their families.

The Review found that ISSSTE has taken bold measures in strengthening the stock management of its medicines and medical products. It has also benefited from economies of scale and reduced its costs through significant centralisation and consolidation, both

within the organisation and with other Mexican health care providers. However, stronger actions are required for ISSSTE's procurement function to achieve its full strategic potential. Its numerous decentralised procurement units currently fail to work in a cohesive manner toward clear priorities and objectives. Also, ongoing improvements in procurement activities and the dissemination of good practice are hindered by a lack of communication and co-ordination. Finally, the various risks present throughout the procurement process are not sufficiently monitored and weaknesses addressed.

The Review shows how ISSSTE can strengthen its procurement function, starting with the development of an organisation-wide procurement strategy to bring clarity to the procurement priorities and key strategies and to increase cohesion. Implementing an e-procurement management system covering the entire procurement cycle, from needs definition to contract and final payment, would improve its results while providing evidence-based decision-making. Finally, ISSSTE staff involved in procurement activities is highly committed, but is in strong need of greater expertise, such as in market research, and improved career opportunities based on merit and fairness.

This Review is the fourth review of procurement practices in major Mexican spending areas and demonstrates Mexico's efforts to modernise its procurement systems in line with OECD good practice. I very much hope that it provides ISSSTE with the tools necessary to build *a smart procurement for healthy public services!*

Ángel Gurría,



OECD Secretary-General

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